

REPORT

OF

THE CHIEF OF THE BUREAU OF
INSULAR AFFAIRS

TO

THE SECRETARY OF WAR.

1905.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
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U.S. Bureau of Insular Affairs.

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WAR DEPARTMENT,
BUREAU OF INSULAR AFFAIRS,
Washington, October 31, 1905.

SIR: I have the honor to submit the following report of the Bureau of Insular Affairs for the past year:

**LEGISLATION ENACTED BY THE FIFTY-EIGHTH CONGRESS,
THIRD SESSION.**

The last annual report set forth in detail the legislation desired and urgently recommended by the government of the Philippine Islands for the benefit of the islands. Much was accomplished during the last session of Congress. The most important legislation was that concerning the building and operating of railways and the revision of the tariff in force in the Philippine Islands.

RAILWAYS.

In accordance with the provisions of the railway legislation, the Philippine government is empowered to enter into a contract with any railway company organized pursuant to the laws of said government or those of the United States or any State thereof, undertaking the building, equipping, operating, and maintenance of any railroad specifically authorized by that government, and to guarantee interest at not to exceed 4 per cent per annum upon bonds issued by such corporation in connection therewith, the contingent liability of the Philippine government being limited in amount to \$1,200,000 per year, and in time to thirty years.

As a safeguard to the interests of the islands it is provided that the total amount of the bonds upon which interest may be guaranteed is to be limited to the actual amount in cash invested in construction and equipment, and that all payments made by the Philippine government shall be a lien upon the railroad, subject only to the mortgage or deed of trust given as security for the bonds. The total sum expended by the Philippine government under the guaranty is, upon the expiration of the period thereof, to be made payable upon demand to said government, and in default of payment the lien created thereby is to become immediately forecloseable.

The manner of ascertaining the amounts actually expended by the corporation enjoying the franchise and the dates for the issuance of the guaranty bonds are clearly defined. The Philippine government is required to appoint two directors of the undertaking company and to provide for the supervision of the conduct of the finances of the road and of its location, construction, operation and maintenance, each railroad company being required to make, from time to time, reports as to receipts and expenditures to the Philippine government. After the construction and equipment of the railroad the gross receipts are to be applied as follows:

First. To the necessary operating expenses, including reasonable expenses of the corporation.

Second. To the necessary and ordinary repairs of said railroad and its equipment.

Third. To such betterments and extraordinary repairs of said railroad or equipment as may be first by the governor-general of the islands, in writing, expressly consented to; and,

Fourth. To the payment of the interest on the bonds, the interest on which to any extent shall have been guaranteed by the Philippine government under the law referred to herein.

Material imported into the islands for the construction and equipment of the railroads authorized under the act may, in the discretion of the Philippine government, be admitted free of duty.

It is patent, therefore, that Congress in its endeavor to promote the industrial welfare and development of the islands by the introduction of increased transportation facilities, while making the undertaking an attractive one to capitalists, has at the same time been keen to guard the interests of the Philippine government.

Under these provisions of law, on June 12, 1905, the Secretary of War, for the government of the Philippine Islands, invited bids to be opened on December 15 next at the Bureau of Insular Affairs and at Manila, for concessionary contracts or grants in aid of the construction, equipment, maintenance, and operation of approximately 1,233 miles of railway in the islands; about 833 miles to be built on the island of Luzon, and the remaining 400 miles to be located on the islands of Panay, Negros, Cebu, Leyte, and Samar. Bids may cover the entire system or particular lines of the system, and the roads will be required to be built within specified periods and according to the requirements of modern American railroad engineering.

Enough interest has been manifested by capitalists to warrant the belief that serious bids will be tendered, and within the next year considerable preliminary and actual work should be accomplished in furnishing the islands a greatly needed system of railroads.

THE PHILIPPINE TARIFF.

The operation of the tariff schedules in use since November 15, 1901, indicated the necessity of a revision, which was undertaken during the year 1904. In the preparation of the new schedules great effort was made to secure the best advice and information of all, having in mind the business progress of the islands. A committee of customs experts and Philippine business men heard in Manila the testimony of those interested as to desirable changes in the then existing law, and exhausted every source of available information on the subject.

The report of this committee, after being acted upon by the collector of customs of the islands and the Philippine Commission, was forwarded to the Secretary of War, who through this Bureau gave it wide publicity in the United States and invited suggestions and recommendations. After ample time had been given, such suggestions and recommendations as had been submitted, of which there were but few, were considered; such changes in the schedule as seemed desirable were made with the approval of the Philippine Commission, and the proposed Philippine tariff was submitted to the chairman of the Ways and Means Committee, who introduced the same.

Hearings on the proposed revision were had before the Committee on Ways and Means of Congress, and on March 3, 1905, with few changes from the original draft, the present Philippine tariff became a law. The average rate of duty imposed is less than the former tariff, among the important changes in the schedules being a reduction of one-half in the duty on manufactured tobacco, the reduction of about one-half the duty on gasoline, the placing of the duty on agricultural, electrical, and other machinery at the nominal rate of 5 per cent ad valorem, and the prohibition after three years of the importation of opium except for medicinal purposes.

The monthly collections under this new tariff showed at first a considerable decrease. Recently, however, they have about equaled those under the former tariff. This decrease was due not only to the usual falling off incident to a change in the tariff when in anticipation goods are imported under the schedules most favorable to the importer, but primarily to the fact that the purchasing power of the country is much below the normal, due to adverse industrial and business conditions.

FUNDS FOR PUBLIC IMPROVEMENTS.

The Philippine government has disbursed some six to seven millions of dollars from available funds in its treasury on permanent public improvements, a burden which properly future generations should have shared. As the condition of the insular treasury did not warrant such continued expenditure, the Philippine government has been authorized to borrow money from time to time, the entire indebtedness not to exceed at any one time the sum of \$5,000,000, for the purpose of constructing harbor works, bridges, and other public improvements, and to issue bonds with interest not to exceed 4½ per cent per annum and running not more than forty years. The act of the Philippine government creating such indebtedness and authorizing the issue of such bonds requires the approval of the President.

A loan of \$2,500,000 having been authorized by act No. 1301 of the Commission, dated February 25, 1905, 10-30 bonds to that amount, and bearing interest at the rate of 4 per cent per annum, were widely advertised, and tenders to the amount of \$40,686,000 received, a fact indicative of the confidence of the capitalist in the financial standing and government of the islands. These bonds were sold at \$1.0906, the premium realized being \$226,500.

As in the matter of the friar-lands bonds issued last year, the Secretary of the Treasury authorized the statement:

That the Philippine public works and improvement bonds will be accepted at par as security for deposits of public money, should further deposits be made, and may be substituted for Government bonds now held as security for deposits on condition

that the Government bonds thus released be used as security for additional circulation whenever, in the judgment of the Secretary of the Treasury, it is desirable to stimulate an increase in the national-bank circulation.

The requirement of former legislation that municipalities in order to borrow money for improvements must first obtain the consent of Congress, necessitating long delay and in practice prohibiting the contracting of debts by the municipalities, was repealed, and they are now, under proper restrictions and within specified limits, empowered to exercise this right, subject to the approval of the President.

The city of Manila having been empowered by act of Congress, July 1, 1902, the Philippine government authorized it to borrow \$4,000,000, for the purpose of providing that city with an adequate sewer and drainage system and water supply, and to issue ten-thirty bonds at 4 per cent interest as security therefor. Bids for such bonds to the amount of \$1,000,000 were opened on May 25, 1905, and the entire issue was sold at a premium of \$95,625.

Proposals have been invited by the municipal board of Manila, to be opened there on January 2 next, for the furnishing of materials for, and the construction of, a gravity water supply for that city, consisting of a masonry dam and inlet chamber, a steel pipe line 42 inches in diameter and about 10½ miles long, a masonry conduit in tunnel and open cut about 4½ miles long, a receiving and distributing reservoir, and the necessary gates, gatehouses, and appurtenances. The same board has invited bids to be opened on January 12, 1906, in Manila, for the construction of sewers and appurtenances for that city approximating 52 miles in length.

EXEMPTION OF BONDS FROM TAXATION.

As an additional attraction to capital all bonds issued by the government of the Philippine Islands or by its authority have by recent legislation been made exempt from taxation by that government or by any political or municipal subdivision thereof, by the Government of the United States, by the District of Columbia, as well as by any State, county, or municipality of the United States.

SILVER CERTIFICATES.

As a matter of convenience in the transaction of business the maximum denomination of silver certificates authorized to be issued has been increased from 10 to 500 pesos.

IMMIGRATION LAWS.

The administration of the immigration laws in the islands has been placed under the jurisdiction of the Philippine government, and all fees collected in connection therewith are made payable into the treasury of the islands for their use and benefit.

EXTRADITION.

It having been found that proper machinery did not exist for the extradition of fugitives from justice apprehended in the Philippine Islands, and charged with the commission of crime in the jurisdiction of any foreign government with which the United States has treaty

relations, the provisions of the Revised Statutes of the United States bearing upon that subject were, so far as applicable, extended to the Philippine Islands.

NECESSARY LEGISLATION.

The three most important needs of the Philippine Islands to-day are a market, the opportunity for farmers to borrow money at reasonable rates of interest, and adequate transportation facilities. As has already been stated, the last Congress provided for the means of transportation.

The first of these needs, in so far as it may be provided for by the reduction of the Dingley tariff on Philippine products, gained the consideration of the Congress in its last days, and the so-called Curtis bill, which provided for the free admission of all articles the growth and product of the Philippine Islands into the United States, except sugar and tobacco on which there should be assessed but 25 per cent of the Dingley rates, was given full hearing by the Ways and Means Committee. It was opposed by the interests representing the beet-sugar and tobacco industries only, and was favorably reported to the House by nine votes in the affirmative to one vote in the negative. In other words, a nine-to-one verdict in favor of the proposition was given in the last days of Congress, but too late to be finally acted upon by either the House or the Senate.

It is understood that there is still considerable apprehension that this will interfere with the sugar and tobacco industries in this country. This apprehension appears to be not that the present production of tobacco and sugar in the Philippines is such as to endanger the corresponding industries in the United States, even though Philippine sugar and tobacco were admitted free of duty, but that in some way the production of these articles in the Philippines has been held back in the past, and that in future the quantity of these articles will be greatly increased and the quality improved, both of which would be necessary to enable them to in any way affect the United States market.

It should be remembered, however, that under the same government under which the cultivation of these articles was so backward in the Philippines, Cuba became the greatest sugar and tobacco producing country on earth. And, in so far as preferential tariff is concerned, the Spanish Government treated the Philippine sugar industry with greater consideration than would the United States, even under the proposed law, Spain imposing upon Filipino sugar but one-fifth the rate imposed on Cuban sugar when both were Spanish colonies.

Although the fullest opportunity was given to present the facts, it is believed that, with possibly one or two exceptions, those Congressmen who had the opportunity to investigate this subject at first hand this summer were generally convinced that there is needless apprehension on the part of representatives of these interests that any damage would obtain.

The recommendation on which the Curtis bill was based should be presented to the coming Congress, with additional recommendations on the following subjects:

FREE TRADE.

That after the expiration of the ten years' period from the date of the ratification of the treaty of Paris, which admitted Spanish ships and merchandise to the ports of the Philippine Islands under the same

conditions as ships and merchandise of the United States, that there be free trade both ways between the United States and the Philippine Islands of all articles the growth and product of either of these countries.

COASTWISE LAWS.

That the application of the coastwise laws of the United States to the carrying trade between the United States and the Philippine Islands be postponed until April 11, 1909, from which date this trade shall be carried in American or Philippine bottoms.

AGRICULTURAL BANK.

At present the farmer and land owner find it next to impossible to borrow money upon their land at any reasonable rate of interest, the prevailing rate being from 2 to 10 per cent per month. The Philippine government has given two years' careful consideration to an agricultural bank scheme.

The Philippine Commission will probably recommend that it be authorized to grant certain concessions and guarantees to a corporation to be known as the Philippine Agricultural Bank, the business of which shall be the making of loans to agriculturists in the Philippine Islands upon real estate, growing crops, or other security duly authorized in the concession, for the purpose of enabling them to pay off existing debts, to make improvements upon their lands, to purchase agricultural implements, farm animals, fertilizers and seed, and to make other similar expenditures desirable and proper for the advancement and improvement of agriculture in the Philippine Islands.

The bank is to be a private bank, the Philippine government guaranteeing for a period of say twenty-five years a dividend of 4 per cent per annum on the par value of the bank's duly authorized cash paid-up capital stock. In return the Philippine Commission will prescribe the class of loans which the bank shall make, limit the rate of interest which may be charged, and in other ways supervise the business of the bank.

LAND LAWS—AGRICULTURAL LANDS.

The existing law limits a single homestead entry to 16 hectares, or about 40 acres, and the amount of land to be acquired by any corporation or association of persons to 1,024 hectares, or about 2,500 acres. This limitation has acted as a bar to the development of land for agricultural purposes.

It is believed that these limitations should be increased to at least 160 acres for a single homestead entry, and materially increased for corporations in the less populated islands, especially in the islands of Mindoro, Palawan and Mindanao, where only adequate inducements to capital will ever reclaim valuable lands from the jungle and savagery.

MINING CLAIMS.

It is recommended that the limit in regard to the number of such claims to be owned by one person or corporation be removed, following the practice in the United States.

THE SITUATION IN REGARD TO THE CURRENCY.

The rise in the price of silver which has occurred within the last three years has culminated recently in a price which brings the bullion value of the Philippine coins up to their legal parity in gold, and has caused fears that the coins might permanently go above such parity. There would be danger that this would result in the exportation of the coins in such amounts as to leave the islands with an insufficient supply of currency. While there are some reasons for thinking that the present price of silver may not be permanent, it seems desirable that Congress should take measures to provide for the contingency of a further rise, which would embarrass the monetary circulation of the islands.

The plan originally recommended to the Fifty-sixth Congress in the autumn of 1901 contemplated a silver peso of the value of 50 cents gold, lighter by some 15 per cent than the Mexican silver dollar. Owing to opposition to this plan in Congress and to the sharp fall of silver during the ensuing year, the act, which was finally passed in March, 1903, provided for a coin of the weight of 416 grains, nine-tenths fine. It may, however, under the conditions which have now arisen, be found wise to meet the rise in the price of silver by authorizing a return to a coin containing less pure silver than that now in use. This result could be attained by the reduction of the weight or fineness, or both, of the coins to be hereafter issued for the Philippine Islands, with authority to recoin, in the discretion of the Commission, the existing pieces.

The Commission, by a recent act, has prohibited the exportation of the Philippine currency.

For the present, pending further developments in regard to the course of silver, it is thought that the following steps may be prudently taken:

Coinage of gold pesos in denominations of five pesos and upward, at the discretion of the government of the Philippine Islands.

The acceptance by the Philippine government of deposits of gold coin or bars, and the issue therefor of gold certificates in convenient denominations in Philippine currency.

DEPOSIT OF SILVER PESOS TO GUARANTEE THE ISSUE OF SILVER CERTIFICATES.

Existing laws provide for the deposit of silver pesos to guarantee the issue of silver certificates, or paper money, the silver so deposited to be used for no other purpose.

The Philippine Commission has asked the authority of Congress to substitute for the silver so deposited, in their discretion, the equivalent in gold, and authority to so state upon the silver certificates, that they are redeemable in silver, or equivalent in gold, at the option of the Philippine government. This would give much greater elasticity to the coinage system.

CITIZENSHIP, PASSPORTS, PROTECTION.

While in the islands this summer it was reported that applications were being received from children born in the islands of foreign fathers who, at the time of the signing of the treaty of Paris, were minors

whose parents neglected to register them, as required by article 18 of the Spanish civil code, and who themselves failed to make election within one year following their majority of emancipation, as required by article 19 of the above code.

The status of these applicants is not included among the persons whose status as citizens is fixed by section 4 of the act of Congress of July 1, 1902, inasmuch as they were not Spanish subjects on April 11, 1899. In many cases they are the children of Filipino mothers by foreign fathers, and all of them are native inhabitants of the islands, having been born in the archipelago and constantly resided therein since their birth. The number of applicants of this class is likely to increase as children who were minors on the 11th day of April, 1899, become of age.

It will be observed that by the second paragraph of Article IX of the treaty of Paris, which reads:

The civil rights and political status of the native inhabitants of the territories hereby ceded to the United States shall be determined by the Congress.

a distinction is made between Spanish subjects and native inhabitants of the territories ceded by Spain. It therefore appears that section 4 of the act of Congress of July 1, 1902, does not follow the distinction made by the two paragraphs of Article IX of the treaty of Paris, but concedes Filipino citizenship to all those persons who were resident Spanish subjects on the 11th day of April, 1899, provided they failed to preserve their allegiance to Spain.

The question therefore follows: "Who were Spanish subjects on the 11th day of April, 1899?" The answer to the question excludes children of foreign fathers, although born in the islands, unless they were inscribed as provided by the Spanish civil code. In default of any specific declaration by Congress, it is for the present being held that they were not citizens of the Philippine Islands and that passports can not properly be issued to them.

On the other hand, it is being held by analogy (following the United States decision in similar cases) that children born of parents who were also born in the islands are citizens of the Philippine Islands, and are entitled to protection.

Appropriate authority should be given the Philippine government to legislate for naturalization as to citizenship of the Philippine Islands.

Another question comes up as to United States citizenship in the case of those foreigners who declared their intention of becoming United States citizens and afterwards returned to the Philippine Islands. Under the present law their time of residence in the Philippines can not be counted as part of the period necessary to complete their final naturalization by the United States courts. It is recommended that Congress provide that the time spent in the Philippine Islands shall be counted as that spent in the United States.

PHILIPPINE CURRENCY.

Since the date of the last annual report, October 31, 1904, purchases of silver bullion for the Philippine coinage have been made as follows:

April 17, 1905, by United States mint, New Orleans, 499,509.99 ounces, at \$0.562	\$280,724.61
April 20, 1905, by United States mint, San Francisco, 49,865 ounces, at \$0.565	28,173.73

All other increase in the silver coinage of the Philippine Islands has been made from Spanish-Filipino coins withdrawn from circulation in the Philippine Islands and shipped to the United States mint at San Francisco for recoinage, the following amounts of such coin being received at San Francisco from November 1, 1904, to October 31, 1905:

Arrived in San Francisco.	Face value.	Standard ounces in silver.	Bullion value in U. S. currency.
1904.			
November 17	<i>Pfs.</i> 950,000.00	737,376.59	\$425,409.57
December 15	250,000.00	194,990.76	112,494.66
1905.			
January 21	175,479.20	136,541.02	78,773.67
February 13	500,000.00	389,716.37	224,836.36
March 4	10.00	7.67	4.43
March 17	1,000,000.00	772,365.63	445,595.55
April 17	900,000.00	696,249.56	401,682.42
May 19	600,000.00	464,132.98	267,769.02
June 3	7.00	5.34	3.08
June 13	715,000.00	546,825.00	315,476.00
July 20	350,000.00	337,500.00	194,712.00
August 10	100,000.00		
September 14	150,000.00	212,617.59	122,663.98
October 19	125,000.00		
Total	5,815,496.20	4,488,328.51	2,589,420.74

During the period covered by this report there has been coined and shipped to Manila from bullion purchased and from the silver contained in the Spanish-Filipino coins, ₱8,080,000 of the following denominations:

	Number pesos.	Number 50 centavos.	Number 20 centavos.	Number 10 centavos.	Face value in pesos.	Face value in United States currency.
1904.						
Nov. 1		420,000	340,000		278,000	\$139,000
Dec. 1		1,632,000	330,000	1,660,000	1,048,000	524,000
Dec. 31	42,000		720,000	2,360,000	422,000	211,000
1905.						
Feb. 1	1,056,000		300,000		1,116,000	558,000
Feb. 28	1,042,000				1,042,000	521,000
March 31	186,000	852,000	120,000		636,000	318,000
May 1	1,500,000				1,500,000	750,000
June 1	702,000				702,000	351,000
June 30	150,000				150,000	75,000
August 5	804,000				804,000	402,000
September 2	222,000				222,000	111,000
October 5	160,000				160,000	80,000
Total	5,864,000	2,904,000	1,810,000	4,020,000	8,080,000	4,040,000

The shipments of subsidiary coins were in response to requests from Manila for—

1,400,000 pesos in 50 centavos,
400,000 pesos in 20 centavos,
400,000 pesos in 10 centavos,

and were minted from old Spanish-Filipino coinage. The shipments of pesos were to meet additional demand in the islands for Philippine currency, and were minted from the 549,375 ounces of bullion, purchase of which has been mentioned, and from the recoinage of Spanish-Filipino coin.

All shipments of Spanish-Filipino coin from Manila to the San Francisco mint, for recoinage, and of the new Philippine coin made therefrom, to Manila, have been on United States transports and in the custody of some officer of the Army already under orders to return to the United States or proceed to the Philippines. Under this method the Philippine government has been saved the heavy transportation charges exacted on shipments of silver by commercial lines without loss of any kind to that government.

Each shipment made is covered by marine insurance from the time it leaves the vaults of the treasury at Manila until its receipt at the mint in San Francisco, and vice versa, to protect the Philippine government against serious embarrassment which the loss of any one shipment by accident to a transport would entail.

I desire to express sincere appreciation of the valuable assistance rendered by the Treasury Department, The Military Secretary's Office, and by the Quartermaster's Department in connection with the handling of these shipments.

The following shipments of minor coin from the Philadelphia mint were made to Manila via New York:

	Face value.
Feb. 10, 1905, 1-centavo pieces	₱ 43,000
Mar. 28, 1905, 1-centavo pieces	37,800
May 7, 1905, 1-centavo pieces	19,200

The above shipments of minor coin completed the order of January 12, 1905, for ₱100,000 in 1-centavo pieces, and were coined from 1,590 blanks remaining from 2,500 which were authorized to be set aside for proof coin, from 23,000 pounds of blanks, purchased by the mint, and from ₱37,800 which the mint already had on hand, the latter amount being reworked from $\frac{1}{2}$ -centavo coin into 1 centavos.

The following is a complete statement of coinage for the government of the Philippine Islands from April, 1903, to October 31, 1905:

PHILADELPHIA MINT.

Denominations.	Face value in pesos.	Standard ounces.	Cost, U. S. currency.
SILVER COIN FROM BULLION PURCHASED.			
Pesos	2,791,471.00	2,419,274.87	\$1,114,358.59
50 centavos	1,550,815.50	1,344,040.09	633,379.31
20 centavos	1,070,560.20	926,703.68	469,038.36
10 centavos	510,267.00	441,639.87	216,190.46
Total coinage	5,923,113.70	5,131,718.51	2,452,966.72
Assay coins (annual and special):			
Pesos	1,471.00	1,274.87	587.96
50 centavos	815.50	706.75	343.74
20 centavos	560.20	484.92	245.47
10 centavos	267.00	231.12	113.14
Total	3,113.70	2,697.66	1,290.31
Coinage delivered (less assay coins):			
Pesos	2,790,000.00	2,418,000.00	1,113,770.63
50 centavos	1,550,000.00	1,343,333.34	633,035.57
20 centavos	1,070,000.00	926,218.76	468,792.89
10 centavos	510,000.00	441,468.75	216,077.32
Total	5,920,000.00	5,129,020.85	2,451,676.41

PHILADELPHIA MINT—Continued.

Denominations.	Face value in pesos.	Standard ounces.	Cost, U. S. currency.
SILVER COIN FROM BULLION PURCHASED—continued.			
Proof coins delivered to Philippine Islands government:			
Pesos	14,348.00	12,434.93	\$6,380.50
50 centavos	7,174.00	6,217.48	3,190.24
20 centavos	2,869.60	2,483.99	1,274.55
10 centavos	1,434.80	1,241.99	637.27
Total	25,826.40	22,378.39	11,482.56
Total coin delivered to Philippine Islands government:			
Pesos	2,804,348.00	2,430,434.93	1,120,151.13
50 centavos	1,557,174.00	1,349,550.82	656,225.81
20 centavos	1,072,869.60	928,702.75	470,067.44
10 centavos	511,434.80	442,710.74	216,714.59
Total	5,945,826.40	5,151,399.24	2,463,158.97
MINOR COINAGE.			
5 centavo	499,967.40	<i>Troy ounces.</i> 1,614,214.49	59,639.23
1 centavo	378,447.48	6,310,930.49	118,949.85
$\frac{1}{2}$ centavo	88,761.74	1,512,681.34	29,167.94
Total	967,176.62	9,437,826.32	207,757.02

SAN FRANCISCO MINT.

Denominations.	Amount coined in pesos.	Standard ounces.	Cost, U. S. currency.
SILVER COINAGE FROM BULLION PURCHASED.			
Pesos	12,065,000.00	10,456,333.33	\$5,204,855.30
10-centavo pieces	34,187.30	29,593.72	15,685.58
Total	12,099,187.30	10,485,927.05	5,220,540.88
FROM SPANISH-FILIPINO COINS, FOR RECOINAGE.			
Pesos	11,794,000.00	10,221,466.67	5,897,000.00
50-centavo pieces	1,506,000.00	1,305,200.00	753,000.00
20-centavo pieces	526,016.00	455,332.60	262,691.88
10-centavo pieces	589,812.30	510,556.28	294,551.69
Total	14,415,828.30	12,492,555.55	7,207,243.57

SUMMARY OF PHILIPPINE COINAGE RECEIVED FROM THE UNITED STATES MINTS
FROM APRIL, 1903, TO OCTOBER 31, 1905, SHOWING COST AND SEIGNIORAGE.

Denomination.	Face value Philippine Island currency.	Face value United States currency.	Number of ounces consumed.	Cost United States currency.	Seigniorage United States currency.
SILVER COINS.					
Pesos	26,663,348.00	13,331,674.00	23,108,234.93	12,222,006.43	1,109,667.57
50 centavos	3,063,174.00	1,531,587.00	2,654,750.82	1,409,225.81	122,361.19
20 centavos	1,598,885.60	799,442.80	1,384,035.35	732,759.32	66,683.48
10 centavos	1,135,434.40	567,717.20	982,860.74	526,951.86	40,765.34
Total	32,460,842.00	16,230,421.00	28,129,881.84	14,890,943.42	1,339,477.58
BRONZE AND NICKEL COINS.					
5 centavos	499,967.40	249,983.70	1,614,214.49	59,639.23	190,344.47
1 centavo	378,447.48	189,223.74	6,310,930.49	118,949.85	70,273.89
$\frac{1}{2}$ centavo	88,761.74	44,380.87	1,512,681.34	29,167.94	15,212.93
Total	967,176.62	483,588.31	9,437,826.32	207,757.02	275,831.29

Total seigniorage on all coins	\$1,615,308.87
From which should be deducted cost of coining, freight, insurance, and miscellaneous expenses	504,908.97
Making a total net seigniorage, United States currency	1,110,399.90

REDEMPTION OF PHILIPPINE CURRENCY.

Since the last report showing arrangement made authorizing Philippine depositaries in the United States to redeem Philippine currency, there has been redeemed and shipped back to the Philippine Islands a total of 3,847 pesos.

Only one shipment (1,462 pesos) has been insured at a cost of \$1.13. The remaining small shipments were sent by registered mail.

DEPOSITARIES OF PHILIPPINE FUNDS.

The Guaranty Trust Company and the International Banking Corporation of New York, the latter institution having a branch office in Washington, and also in Manila, are still the depositaries in the United States for insular funds, the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China continuing as depositaries of the Philippine government in Manila. As mentioned in the last annual report, deposits of the insular government with these institutions are secured by surety bonds.

Consolidated statements of the business transacted with the two depositaries in the United States follow:

Statement of the account of the Guaranty Trust Company of New York in account with the government of the Philippine Islands for the period November 1, 1904, to October 31, 1905.

Debit.		Credit.	
Balance on hand Nov. 1, 1904:		Withdrawals:	
Gold standard fund. \$2,141,198.67		Disbursing agent, Philippine	
Friar lands 1,766,238.07		revenues \$7,805,167.02	
General account 880,164.94		Insular treasury transfers,	
	\$4,787,601.68	drafts, and checks 4,066,592.78	
Deposits:		International Banking Cor-	
Treasurer of the United States.	7,028,576.74	poration 1,750,000.00	
Sale of Manila waterworks		Atlantic Gulf and Pacific Co.	250,000.00
and sewer bonds. 1,095,625.00		Transfer to Bank of California	
International Banking Cor-		to credit of Castle Bros. &	
poration 800,000.00		Wolf 20,000.00	
Sale of public improvement		J. S. Manning, disbursing offi-	
bonds 2,730,304.35		cer Philippines Constabulary	19,433.07
Merchants' Laclede National		Redemption Philippine cur-	
Bank 355,520.65		rency 1,923.50	
Sale of 5th issue (certificates		Balance due the Insular gov-	
of indebtedness) 1,524,600.00		ernment, Oct. 31, 1905—	
Kountze Bros 10,342.66		General ac-	
Sale of proof coins 3,975.50		count \$3,148,658.29	
First National Bank of San		Gold standard 646,118.75	
Francisco 13,022.89		Friar lands ... 525,976.79	
Miscellaneous receipts 7.92		Sewer and	
Interest on deposits 144,253.59		waterworks 250,000.00	
		Public works	
		and im-	
		provement	
		bonds 9,960.78	
			4,580,714.61
	18,493,830.98		18,493,830.98

Statement of account of International Banking Corporation at Washington, D. C., in account with government of Philippine Islands, November 1, 1904, to October 31, 1905.

Debit.		Credit.	
Balance Nov. 1, 1904:		Withdrawals:	
General account \$131,556.86		Guaranty Trust Co	\$800,000.00
Friar-land fund. 3,666,343.07		Disbursing agent, Philippine	
	\$3,797,899.93	revenues	157,996.00
Deposits:		J. S. Manning, disbursing	
Guaranty Trust Co.	1,750,000.00	officer, Philippines Constab.	3,000.00
Treasury of United States ..	1,800,000.00	Francisco Gutierrez	3,156,657.00
Merchants' Laclede National		Coudert Bros	65,000.00
Bank	93,648.49	Balance due insular government:	
Disbursing agent, Philippine		Oct. 31, 1905	
revenues	76.00	General account \$512,614.12	
Miscellaneous receipts and		Gold standard	
refunds	594.65	account	1,786,500.23
Interest on deposits	156,654.15	Friar-land bond	367,105.87
		Sewer and	
		waterworks	
		fund	750,000.00
			3,416,220.22
Total	7,598,873.22	Total	7,598,873.22

The following statement shows interest paid the Philippine government on deposits in the United States from October 1, 1904, to October 31, 1905:

Fund.	Guaranty Trust Co. of New York.	International Banking Corporation.	Total.
Treasurer's general account	\$31,240.72	\$3,408.76	\$34,649.48
Friar lands purchase	18,870.99	113,203.65	132,074.64
Gold standard	49,081.32	36,424.23	85,505.55
Public works and improvement	33,999.86		33,999.86
Manila sewer and waterworks	10,882.28		10,882.28
Disbursing agent, Philippine revenues	178.42	3,617.51	3,795.93
Total	144,253.59	156,654.15	300,907.74

SILVER CERTIFICATES.

There have been no further shipments of silver certificates to the Philippine Islands since the last annual report, which showed (completed by a footnote) a total of 20,000,000 pesos, in silver certificates, had been shipped, made up of the following denominations:

₱3,000,000 in 2's.
 6,000,000 in 5's.
 11,000,000 in 10's.

The cost of preparing and insuring the last shipment completing above was as follows:

Date of shipment.	Forwarded on trans-port.	Pesos value.	Insurance.	Cost of preparing.	Total cost.
Nov. 1, 1904	Sherman .	2,020,000	\$31.25	\$6,312.57	\$6,343.82

CERTIFICATES OF INDEBTEDNESS.

The last annual report mentioned the sale of a third issue of \$3,000,000 certificates of indebtedness for the purpose of retiring the first issue, which matured May 1, 1904, and of a fourth issue for a like amount to take up the second issue, falling due September 1, 1904.

On May 1, 1905, this third issue became due and was retired outright by an appropriation of \$3,000,000 from the gold-standard fund in the Philippine treasury. The fourth issue matured on September 1, 1905, and was cared for by an appropriation of \$1,500,000 from the Philippine treasury and by a new issue of \$1,500,000 certificates of indebtedness running for one year and bearing interest at the rate of 4 per cent per annum. This new issue was awarded to Messrs. Fisk & Robinson, of New York, whose bid of 101.64 for the entire issue was the highest received, the issue being oversubscribed six times, and at the premium for which sold makes the net interest payable by the Philippine government only 2.36 per cent.

It will thus be noticed that the outstanding indebtedness of the Philippine government due to the inauguration of the new currency has been decreased from \$6,000,000 to \$1,500,000.

RECEIPTS AND EXPENDITURES OF THE PHILIPPINE GOVERNMENT.

The following statement of revenues and expenditures, made up from audited figures, covers the period from the date of American occupation to June 30, 1905:

	5 years ending June 30, 1903.	1904.	1905.	Total.
REVENUES.				
Customs	\$35,601,794.92	\$8,790,016.97	\$7,977,489.21	\$52,369,301.10
Refundable export duties	600,906.08	453,563.32	486,701.03	1,541,170.43
Postal	563,361.49	133,784.72	136,670.80	823,817.01
Internal	2,217,421.54	272,404.49	1,499,408.25	3,989,234.28
Internal revenue refundable to provinces and municipalities			1,232,385.93	1,232,385.93
Provincial	4,535,733.81	3,295,839.47	3,107,912.91	10,939,486.19
City of Manila	2,741,169.06	1,931,129.97	1,441,192.81	6,113,491.84
Miscellaneous	2,967,644.10	1,053,057.80	1,703,610.08	5,724,311.98
Total	49,218,031.00	15,929,796.74	17,585,371.02	82,733,198.76
EXPENDITURES.				
Customs	1,556,016.79	680,173.28	579,667.79	2,815,857.86
Refundable export duties refunded ..	133,673.32	502,174.00	421,683.14	1,057,530.46
Postal	696,483.58	248,244.55	301,058.28	1,245,786.41
Provincial	1,827,388.59	1,587,458.33	1,474,320.43	4,889,117.35
Internal revenue refunded			1,008,714.66	1,008,714.66
Proportion of provincial revenues turned over to municipalities	2,673,670.18	2,020,546.97	2,370,172.24	7,064,389.39
City of Manila	3,600,699.00	2,530,027.01	2,586,729.33	8,717,456.34
Other expenditures	29,759,375.10	9,994,788.81	11,157,720.95	50,911,884.86
Total	40,247,266.56	17,563,412.95	19,900,066.82	77,710,736.33

^a These figures are based upon deposits with and withdrawals by warrants from the Philippine insular treasury.

Under the charter incorporating the city of Manila, which became effective August 7, 1901, the government thereof passed under the control of a municipal board. The disbursements of that city are made pursuant to appropriations of the Philippine Commission, but

under section 15 of the charter 30 per cent of the appropriations are payable out of the insular treasury and the remaining 70 per cent out of the revenues of the city.

The following statement shows the consolidated account current of the treasurer of the Philippine Islands for the fiscal year ended June 30, 1905:

[The mark ₱ is the symbol for 1 peso Philippine currency, 1 peso being equivalent to 50 cents United States currency. The mark Pfs is the symbol for 1 peso Mexican currency.]

Treasurer's actual cash balance July 1, 1904	<div> <div>₱3,984,810.07</div> <div>Pfs2,532,245.37</div> <div>\$13,352,135.93</div> </div>
Expressed in United States currency equals	\$16,495,561.58
Deposits from—	
Customs revenues	8,202,428.85
Postal revenues	124,784.07
Internal revenues	2,024,343.95
Miscellaneous revenues	958,310.64
City of Manila revenues	1,454,108.71
Payments and repayments to appropriations	4,910,637.44
New coin	6,071,273.00
Certificates of indebtedness	3,042,300.00
Premium and interest	149,978.49
Manila water supply and sewerage fund	1,095,625.00
Public works and permanent improvements, proceeds from sales of bonds	2,730,304.35
Total	47,259,656.08
Withdrawn from treasury	33,872,643.56
Treasurer's actual cash balance, June 30, 1905	<div> <div>₱1,500,575.17</div> <div>Pfs. 142,937.36</div> <div>\$12,581,749.02</div> </div>
Expressed in United States currency, equals	13,387,012.52
	47,259,656.08
Analysis of treasury balance:	
Congressional relief fund—	
Balance of appropriation undrawn	503,485.20
Available funds for appropriation	614.27
	504,099.47
Gold standard fund—	
Balance of appropriation undrawn	1,372,108.88
Available fund for appropriation	2,359,750.49
	3,731,859.37
Friar lands funds a—	
Available funds for appropriation	4,115,057.16
Public works and permanent improvements—	
Balance of appropriation undrawn	1,767,140.13
Available funds for appropriation	62,407.31
	1,829,547.44
Manila water supply and sewerage fund—	
Available funds for appropriation	1,095,625.00
General fund—	
Balance of appropriations undrawn	1,770,639.21
Unpaid warrants outstanding	47,674.19
Available funds for appropriation	292,510.68
	2,110,824.08
	13,387,012.52

^a See page 26 for transactions since June 30, 1905, the close of the last fiscal year.

In the treatment of the accounts pertaining to revenues care is taken that only actual collections and expenditures are shown, and that the proceeds arising from sales by the Insular purchasing agent, the Philippines constabulary commissary, and others from reimbursable appropriations are eliminated, as these are accounted for under a plan adopted July 1, 1903, whereby such proceeds revert to the allotment assigned for the investment of funds appropriated for specified purposes.

THE CONGRESSIONAL RELIEF FUND.

By act of Congress approved March 3, 1903, the sum of \$3,000,000 United States currency was appropriated for the alleviation of distress throughout the archipelago. The Philippine government, having the control and management of the fund, provided for its expenditure by means of the passage of acts appropriating amounts therefrom for the purchase and distribution of draft animals, farming tools and implements, rice and other foodstuffs for the indigent, and also for the employment of labor, through the construction, maintenance, and repair of public highways and other work of a temporary or permanent character.

The following statement taken from audited accounts shows the expenditure made from the fund to June 30, 1904, under the different headings, expressed in United States currency value at a uniform ratio of \$1 United States currency to \$2 Philippine currency:

Public works and permanent improvements.....	\$558, 151. 26
Purchase and transportation of rice.....	603, 331. 15
Purchase and care of carabaos.....	157, 674. 00
Expenditures by the board of health.....	32, 383. 48
Expenditures by the bureau of agriculture.....	5, 162. 11
Expenditures by the provincial boards and councils.....	175, 000. 00
Donations for relief purposes.....	1, 235. 74
Total.....	1, 532, 937. 74

The total amount withdrawn by warrants for the fiscal year 1905 was \$854,675.41, and the following table of disbursements made from the fund is estimated upon the basis of the Treasury account and such certificates of the Auditor as have been received to date:

Public works and permanent improvements.....	\$662, 393. 69
Purchase and distribution of rice.....	16, 606. 22
Purchase and care of carabaos.....	90, 764. 08
Expenditures by board of health.....	21, 655. 93
Expenditures by bureau of agriculture.....	19, 151. 38
Expenditures by bureau of education.....	3, 480. 64
Expenditures by bureau of government laboratories.....	19, 904. 04
Donations for relief purposes.....	6, 904. 73
All other expenditures.....	13, 814. 70
Total.....	854, 675. 41

The above being an approximation of the distribution of the expenditures is subject to revision and such changes as will become necessary upon the receipt of the final certificates of settlement now being forwarded by the Auditor for this fiscal year.

DISBURSEMENTS OF PHILIPPINE REVENUES IN THE UNITED STATES.

The total disbursements made by the disbursing agent of the Bureau since the date of the last report, October 31, 1904, amount to \$7,982,-864.08 in payment of 4,178 accounts, and the total disbursements from May 20, 1901, the date the disbursing office was established, to the present time amount to \$26,008,099.60, in payment of 9,862 accounts.

The following is a statement of balances on hand as shown by the last annual report, amounts received and disbursed since, and balances on hand October 31, 1905:

Appropriations.	Balance on hand Nov. 1, 1904.	Received since.	Total.	Disbursed.	Transferred to credit of treasurer of Philippine Islands.	Balance on hand Oct. 31, 1905.
General purposes (miscellaneous)	\$41,074.15	\$40,010.46	\$81,084.61	\$77,162.40	.....	\$3,922.21
Insular purchasing agent, purchases (supplies)	26,202.39	770,771.97	796,974.36	764,521.49	.....	32,452.87
Filipino students	9,856.50	111,580.09	121,436.59	84,930.89	.....	36,505.70
Insular salary and expense fund (transportation)	41,648.50	90,926.22	132,574.72	109,147.09	.....	23,427.63
Census expense	1,289.03	9,000.00	10,289.03	9,815.33	.....	473.70
Friar-land bonds (interest on)	70,670.00	280,000.00	350,670.00	208,640.00	.....	142,030.00
Certificates of indebtedness (principal and interest)	30,000.00	6,180,000.00	6,210,000.00	6,210,000.00	.....	.....
Purchase of bullion (silver coinage)	14,570.67	475,076.00	489,646.67	473,723.44	\$76.00	15,847.23
Public works and improvement bonds (interest on) .....	.....	50,000.00	50,000.00	24,990.00	.....	25,010.00
Signal service .....	.....	20,000.00	20,000.00	19,933.44	.....	66.56
City of Manila bonds (interest on) .....	.....	10,000.00	10,000.00	.....	.....	10,000.00
Total	235,311.24	8,037,364.74	8,272,675.98	7,982,864.08	76.00	289,735.90

The balance, \$289,735.90, is distributed as follows:

International Banking Corporation	\$109,863.58
Treasurer of the United States	177,040.00
Cash on hand	2,832.32
	<hr/> 289,735.90

INSULAR SALARY AND EXPENSE FUND.

The sum of \$56,210.60 has been deposited with the Bureau during the period covered by this report to cover the cost of transportation of 370 persons to Manila. In addition to the transportation of such persons orders were issued for 278 persons without deposit of money with this Bureau. The total amount disbursed under our contract with the transcontinental railroads and the connecting steamship lines was \$132,600.79.

PURCHASE OF BULLION.

All accounts for the purchase of bullion for the Philippine silver coinage and for blanks and metals for the minor coinage, including expense of coining, labor, and material in packing coin for shipment,

and marine freight and insurance charges, have been audited and settled in the Bureau. The amounts disbursed during the period covered by this report, in connection with this coinage, were:

Purchase of bullion at New Orleans	\$280, 724. 61
Purchase of bullion at San Francisco	28, 173. 73
Blanks for minor coinage	25, 688. 16
Coinage charges at Philadelphia	3, 538. 54
Coinage charges at San Francisco	107, 756. 94
Weighing and counting old coins	353. 50
Refining charges, old coins	13, 926. 66
Marine insurance	7, 498. 56
Ocean freight and express	1, 783. 68
Packages and packing	3, 880. 96
Drayage	398. 10
	<hr/>
	473, 723. 44

OCEAN CARRYING TRADE.

The United Kingdom continues to dominate the foreign carrying trade of the islands, nearly 60 per cent of the value of imports arriving and over 75 per cent of the exports departing under the British flag. Spanish vessels take the second rank for the year in imports, and though figuring to a smaller degree in exports their participation in the carrying trade has been very constant in both imports and exports during recent years. The German flag, on the other hand, while generally a close competitor of the Spanish, did a less uniform business and suffered a heavy loss in 1905, with a decline of almost half in the value of both import and export cargoes.

American vessels show gains in 1905, carrying 10 per cent of both the imports and exports of the islands.

The subject of American tonnage engaged in the insular trade is referred to in the recommendation for a further postponement of the operation of the provision for extending the American coastwise laws to the islands.

INTERISLAND CARRYING TRADE.

Under the Frye bill the Commission was authorized to legislate concerning island shipping. The languishing condition of this industry has been a matter of concern for some time. The deliberations of two committees have been brought to bear upon it, and in act No. 1310 of the Commission there has been embodied legislation designed to meet the grievances of the local shipping interests and to organize an efficient transportation service throughout the islands.

Conspicuous among these grievances has been the existence of civil government and army transportation services to meet their respective needs, which insular shipping interests have regarded as a government appropriation of their legitimate trade, while the facilities that these services inevitably offered to the general public tended to still further circumscribe the sphere of private shipping enterprises.

The act referred to contemplates relief to the local shipping situation in these particulars by the withdrawal of the civil government from the carrying trade and the letting of contracts for the carrying of mails, government supplies, and passengers by private companies, with a further provision that United States Government supplies and the general public shall enjoy the same rates fixed by the contract. The effect of this measure will be to throw a large additional volume of

freights into the hands of local shipowners, and will doubtless tend to relieve the existing depression.

Through these contracts, bids for which will be opened in this Bureau and in Manila, March 1, 1906 (the bids for building railroads are to be opened December 15), provision is made for regular communication and an efficient system of interisland transportation. The contracts will run for five years, and the interests of the public will be conserved by requiring that commercial rates shall not be discriminating and shall not exceed those contracted for with the government, while the strong position held by the latter through the option of refusing all unsatisfactory bids, reenforced by the presence of its efficient coast-guard fleet at hand to render the service, promises to secure for both the government and the people a reasonable rate, and safeguards both against the extortionate rates heretofore sometimes asked by the insular shipping interests.

It is proposed to hold the coast-guard vessels as a reserve and in service upon routes necessary for the government but not commercially justified, by which remote and outlying parts will enjoy the benefits of regular communication and at rates based on those enjoyed by sections in the frequented paths of commerce.

The act, in brief, while primarily addressed to the local shipping grievances, provides for a thoroughly organized system of communication throughout the archipelago and for Government supervision under a superintendent of interisland transportation, which office is created by the act. The measure shows a careful study of the situation; and in view of the comprehensiveness with which the transportation problem is treated and the guaranty that is given of equitable and uniform rates, there is promised for this legislation an importance in the unifying of the islands and the inspiring of commercial confidence that far outweighs any immediate loss that the Government may suffer from ceasing to furnish its own transportation.

COMMERCIAL STATISTICS.

The Monthly Summary of Philippine Commerce has been regularly issued by the Bureau throughout the year, and continues to furnish important figures and information bearing on the trade of the islands.

A serious deficiency in the Philippine commercial statistics has resulted from the meager and fragmentary data possessed as to the years antedating American occupation. The leading authority in English concerning this period has heretofore been Bulletin No. 14, a timely publication issued by the United States Department of Agriculture just after the arrival of the Americans in the islands. Being an extended review of Philippine commerce based on such information as was then available in consular reports, commercial estimates, and trade records of other countries, it is a work which involved much research and abounds in valuable matter. But since its purpose was primarily to meet an urgent need for trade information, it is more in the nature of a graphic statement than a continuous record, and with the lapse of years and the accumulation of statistics of American occupation a growing need has been felt for fuller data and for their presentation in such form and sequence as to give historic continuity to the modern commercial growth of the islands and at the same time make possible a comparative study of the trade under American rule.

Valuable data for the satisfying of this need have, however, during the past year been obtained by the Bureau from a collection of official records of the islands' commerce extending over a period of years, and these supplemented by official returns since American occupation have furnished the basis for the compilation of tabular statements and for a historical review of Philippine commerce appearing in the December issue of the Summary, which for scope and detail may be considered an important contribution to the history and official statistical records of the islands' trade.

Coincident with this growing need in the statistical work of the Bureau for more full and complete records of the past has been a realization of the necessity for more full and detailed contemporary trade information, and with the measurably satisfactory solution of the historical deficiency added prominence has been given to the importance of an amplification of current statistical data at present received from the islands.

IMPORTS AND EXPORTS.

With the review above referred to a somewhat exhaustive analysis of Philippine trade figures for the calendar year 1904 appeared, and while serious discrepancies must inevitably result in the use of overlapping periods, especially in commodities subject to periodic import and export and not representing a continuous trade, the figures for the fiscal year just ended are mentioned below as furnishing the latest returns of insular trade.

Commercial conditions make a favorable showing for the year as measured by the balance of trade. For the first time during the American occupation is there a considerable preponderance of exports over imports, amounting to approximately a million and a half dollars. This result is due to increases in export values as well as to reduced imports, but the decline in imports is more than accounted for by a large reduction in foreign purchases of rice; and the inference to be drawn of increased rice production throughout the islands diminishing this foreign drain for the local necessity of life is one of the hopeful features of the year's figures.

TOTAL EXPORTS BY LEADING ARTICLES.

Articles.	1903.		1904.		1905.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
Hemp tons..	130, 159	\$21, 701, 575	129, 742	\$21, 794, 960	128, 564	\$22, 146, 241
Sugar pounds..	246, 151, 547	3, 955, 568	165, 709, 433	2, 668, 507	250, 542, 682	4, 977, 026
Tobacco		1, 882, 018		2, 013, 287		1, 999, 193
Copra pounds..	215, 193, 383	4, 473, 029	119, 341, 505	2, 527, 019	82, 797, 227	2, 095, 355
All other.....		1, 107, 709		1, 246, 854		1, 134, 800
Total.....		33, 119, 899		30, 250, 627		32, 352, 615

EXPORTS TO THE UNITED STATES.

Hemp tons..	70, 526	\$12, 314, 312	60, 912	\$10, 631, 591	72, 196	\$12, 954, 515
Sugar pounds..	75, 916, 518	1, 335, 826	25, 632, 500	354, 144	127, 563, 318	2, 618, 487
Tobacco		46, 162		1, 857		6, 820
Copra pounds..	134, 629	9, 173	383, 680	9, 231	452, 118	14, 425
All other.....		157, 586		105, 952		73, 779
Total.....		13, 863, 059		11, 102, 775		15, 668, 026

Hemp exports for the year show a small decline in quantity but with a slightly increased value. Figures for the sugar trade indicate the effect of good prices recently prevailing, and the export quantity exceeds by a few thousand pounds that of 1903; but it is to be noted that this export maximum of American occupation is still less than half that of the most prosperous year of Spanish times, which would be about the maximum of reasonable expectation for many years to come. Tobacco exports, though apparently about the same as in 1904, really represent a considerable decline in volume, owing to a correction in undervaluation in the leaf trade inaugurated by the insular collector of customs from January, 1905. Leaf exports for the year follow still further that decline which dates back to 1902, and reaches the smallest quantity since 1900. Copra exports are also less in value by about \$400,000 than in 1904.

By reason of hemp purchases the American share of the export trade continues large and reaches nearly half of the export total of the islands for the year. The United States participates in the increased sugar exports, while increases are also to be noted in American purchases of tobacco and copra, but they bear a proportion to the total exports of these articles too small for consideration. American taste and the American tariff combine to discourage the introduction of Philippine tobacco, while Philippine copra, even with the advantage of the export tariff refund, figures only nominally in the United States imports of copra.

Imports by groups.

Group.	Total.			From United States.		
	1903.	1904.	1905.	1903.	1904.	1905.
Animals and animal products.....	\$1,580,156	\$1,462,074	\$1,392,967	\$125,868	\$163,443	\$244,606
Cereals and cereal products (except rice).....	993,936	1,148,028	1,014,731	715,573	884,945	692,631
Rice.....	10,061,323	11,548,814	7,456,738	281	115,957	122,309
Meat and meat products.....	681,163	851,530	1,070,624	85,538	38,942	56,325
Fish and fish products.....	432,486	232,000	243,700	52,983	91,674	89,181
Dairy products.....	339,726	348,856	365,849	51,872	320,168	325,142
Liquors and beverages.....	1,125,912	852,313	793,397	537,212	361,226	846,354
Cotton and cotton manufactures.....	6,350,647	4,962,354	6,429,873	455,059		
Silk, wool, vegetable fibers, and their manufactures.....	1,547,721	1,206,230	1,038,342	33,070	58,033	44,975
Jewelry, and manufactures of gold and silver.....	258,253	279,360	175,277	14,048	9,488	17,935
Iron and steel, and their manufactures.....	2,023,784	2,541,491	2,919,604	513,261	885,617	1,326,495
Chemicals, drugs, paints, and dyes.....	1,331,350	1,371,478	1,424,408	95,772	138,224	121,377
Glass and earthenware, earth and stone.....	524,704	459,234	528,250	46,536	41,250	50,320
Paper and paper manufactures.....	610,602	753,930	746,969	168,127	258,010	252,138
Wood and wood manufactures.....	396,481	596,004	601,839	143,840	253,909	304,401
Oils.....	748,752	617,179	902,932	358,057	311,205	493,619
All other.....	3,964,886	3,986,886	3,767,850	547,001	701,125	773,690
Total.....	32,971,882	33,220,761	30,876,350	3,944,098	4,633,216	5,761,498

The conspicuous feature in the import trade, as previously stated, is the heavy decline in rice imports, which amounts to over 4 million dollars. This is to a considerable measure offset by increased imports of other articles, cotton and cotton manufactures being the most conspicuous, with an increase in value of over a million and a half dollars, while iron and steel, mineral oils, and meats also show large gains.

The participation of the United States in the import trade of the islands shows a net increase of over a million dollars for the year. Imports of American flour have suffered in the generally reduced

trade in this important article of American export, but imports of cotton and cotton manufactures are larger by nearly a half million dollars, while iron and steel and their manufactures are credited with an increase of practically the same amount; and if to these be added substantial gains in mineral oils and the shoe trade, the year's record is not an unfavorable one for the American manufacturer and exporter.

PURCHASE OF SUPPLIES.

The method of purchase of supplies for the Philippine Islands has been described in detail in preceding reports. During the period from November 1, 1904, to October 31, 1905, 651 mail requisitions were received from Manila and 68 requisitions by cable. The majority of these orders were transmitted for execution to the purchasing agent for the Philippine government in New York, attached to this Bureau. Such of the requisitions as contemplated purchase of supplies similar to those furnished the different Departments of the United States Government were, through cooperation of the several Departments, bought, after inspection by their experts, under contract prices based on much larger quantities of material than the Philippine government required.

As a rule, supplies have been purchased f. o. b. steamer New York and forwarded to Manila on through steamers operated by the four Suez lines with which this Bureau has a joint contract. In many instances, however, it has been found advantageous to purchase goods at places of manufacture, ship them by rail to San Francisco or Seattle and thence by steamer to Manila, under contracts with the various lines for through transportation.

In addition to proposals sent to dealers and manufacturers from the New York office, copies of requisitions for supplies are also sent to Maj. C. A. Devol, depot quartermaster, San Francisco, for distribution to merchants in that city, proposals being submitted thereunder to the purchasing agent in New York.

All merchandise purchased by the Bureau is insured from the time it becomes the property of the Philippine government against all loss or damage, however occasioned, until delivery to the consignees in Manila.

As mentioned in the last annual report, in response to appeals of Manila merchants, the Philippine Commission decided to encourage bona fide local dealers and make it an object for them to carry large stocks of merchandise in Manila by favoring them with all government business, provided their prices were not more than 10 or 15 per cent above the price at which similar goods could be purchased by the Bureau in the States and delivered at Manila.

Although this practice has been in operation for some time, the number of requisitions received during the period covered by this report bears testimony to the close prices which the Bureau has obtained.

In addition to purchasing such supplies as are not carried in stock by Manila merchants, or such articles as they can not sell at the 10 or 15 per cent increase allowed them, the Bureau has assisted the insular government in the purchase of supplies at Manila by keeping it advised of the market quotations and conditions in the States.

The catalogue system, installation of which was described in the last annual report, has been found of much value in the purchase of supplies and checking of accounts. A similar system has also been inaugurated in the office of the purchasing agent in New York and is a constant benefit to him in his work.

NEW YORK OFFICE.

The purchasing agency in New York is maintained at the expense of the Philippine government, and as at present organized, consists of 1 purchasing agent and 5 employees.

Requisitions received from Manila have been promptly executed and accounts covering same settled by the disbursing agent of the Bureau without delay.

CUBAN ACCOUNTS.

The last annual report showed a balance of \$968.64 in the hands of the disbursing agent after paying all proper accounts against the late military government of Cuba. As no claims against this fund were received during the past year, the balance on hand was deposited with the Treasurer of the United States on May 10, 1905.

INSPECTION OF ACCOUNTS.

An inspection of the office of the disbursing agent was made by an inspector-general of the Army in May, 1905, at the time of the transfer of the office by J. G. Jester to A. T. Ruan, the present incumbent. The books and accounts were found correct, and the balances with the several depositaries verified.

PHILIPPINE CENSUS.

The census of the Philippines has been taken and its publication is completed.

Section 6 of the act of Congress of July 1, 1902, providing a civil government for the Philippines, directed:

That whenever the existing insurrection in the Philippine Islands shall have ceased and a condition of general and complete peace shall have been established therein, and the fact shall be certified to the President by the Philippine Commission, the President, upon being satisfied thereof, shall order a census of the Philippine Islands to be taken by said Philippine Commission; such census, in its inquiries relating to the population, shall take and make, so far as practicable, full report for all the inhabitants, of name, age, sex, race or tribe, whether native or foreign born, literacy in Spanish, native dialect or language, or in English, school attendance, ownership of homes, industrial and social statistics, and such other information, separately for each island, each province, and municipality, or other civil division, as the President and said Commission may deem necessary;

Provided, That the President may, upon request of said Commission, in his discretion, employ the service of the Census Bureau in compiling and promulgating the statistical information above provided for, and may commit to such Bureau any part or portion of such labor as to him may seem wise.

The President having been notified by the Philippine Commission, in accordance with the above-cited provision of law, on September 25, 1902, issued the necessary order that the census be taken, and at the request of the Philippine Commission the machinery of the United States Census Office was utilized in the compilation and distribution of the report made.

Under the administration of Gen. Joseph P. Sanger, who had formerly directed the taking of the census of Cuba and of Porto Rico, the schedules were practically completed in August, 1903, and forwarded to the United States Census Office, where the work was finished under his direction and issued in four volumes, both English and Spanish, the President having been officially notified of its publication on March 27, 1905.

The total expense to the Philippine treasury in the census was:

Paid in the Philippine Islands.....	\$606, 724. 23
Paid in Washington	30, 207. 09
Total	636, 931. 32

The cost of enumeration in the Batanes Islands, a small group north of Cagayan Province, of which it forms a part, has not yet been reported and is not included in the above statement.

PHILIPPINE ASSEMBLY.

Section 7 of the act of Congress providing for the taking of the census declares:

That two years after the completion and publication of the census, in case of such condition of general and complete peace with recognition of the authority of the United States shall have continued in the territory of said islands not inhabited by Moros or other non-Christian tribes, and such facts shall have been certified to the President by the Philippine Commission, the President upon being satisfied thereof shall direct said Commission to call, and the Commission shall call, a general election for the choice of delegates to a popular assembly of the people of said territory in the Philippine Islands, which shall be known as the Philippine assembly. After said assembly shall have convened and organized all legislative power heretofore conferred on the Philippine Commission in all that part of said islands not inhabited by Moros or other non-Christian tribes shall be vested in a legislature consisting of two houses, the Philippine assembly.

The President having been advised by the Secretary of War of the completion and publication of the census, cabled to the governor-general of the Philippines that upon March 27, 1907, if the conditions should be as indicated in the foregoing law, he will direct the Commission to call a general election. This information was published in Manila by the governor-general's proclamation of March 28, 1905.

FRIAR LANDS.

The friar lands have all been purchased.

The details covering the sale of \$7,000,000 worth of registered bonds in order to raise money with which to purchase the 410,000 acres of land formerly belonging to the three principal religious orders in the Philippines, viz, the Augustinians, Recoletos, and Dominicans, were set forth in the last annual report.

The surveys of these lands resulted in considerable delay, but were finally completed and accepted by the parties interested.

Payments were made as follows:

Date of payment.	To whom paid.	Amount.
Oct. 5, 1904	Recoleta Order (for Mindoro estate).....	\$298, 782. 07
Oct. 24, 1904	La Sociedad Agricola de Ultramar (18 estates formerly held by the Augustinians)	2, 077, 332. 56
Feb. 7, 1904	British Manila Estates Co. ("Imus Estate" in Cavite, formerly held by the Recoletos)	1, 036, 655. 73
Oct. 20, 1905	Philippine Sugar Estates Development Co. (limited), (8 estates formerly held by the Dominicans)	3, 521, 657. 00

The questions in dispute which caused the delay in the settlement with the Sugar Estates Development Company were closed up and a compromise effected by the Secretary of War during his recent visit to the islands this summer.

PHILIPPINE EXHIBIT AT THE WORLD'S FAIR, ST. LOUIS.

The last annual report detailed the magnitude of the Philippine exhibit at the World's Fair at St. Louis, which covered 50 acres and occupied about 100 buildings, while nearly 1,300 Filipinos were in attendance. Upon the close of the exposition, December 1, 1904, all the Filipinos except those of the Visayan village who remained in this country about six weeks before sailing for Manila, departed for the Philippines.

On January 21, 1905, 198 cases of exhibits valued at \$25,000 were shipped to Manila to be placed in the Manila Museum or returned to private owners, those remaining being sold to the American Museum of Natural History of New York for \$15,000, under agreement that it make satisfactory distribution to the Smithsonian Institution and the Philadelphia Commercial Museum, and that an exhibit at Portland should be provided for, if desired.

The latter exhibit was made under the charge of the Chief Clerk of the War Department without cost to the Philippine government. It was an adequate, scientifically installed, and well-managed exhibit, of which the Philippine government might well be proud.

The furniture left on the grounds was sold for \$1,350 and the buildings, including plumbing, electric light, and minor fixtures, for \$10,575, the purchaser of the buildings giving bond to clear the grounds and restore them to their original condition.

The Philippine exposition board, through its jury of awards, awarded two kinds of medals, each in gold, silver, and bronze, the one being designated a "medal of honor," and given for special and meritorious services, and the other for exhibits. Their distribution, which was left entirely to the Bureau, has been about completed as far as concerns the medals of honor and accompanying certificate, numbering about 1,800, but those awarded exhibitors, which are to be struck from the dies used for the Louisiana Purchase Exposition Company's medals, will not be available for about eighteen months.

The following table gives the receipts from the date of the opening of the exposition up to and including December 31, 1904, and it will be noted that the bulk of the revenue was derived from admissions to the five native villages:

	May.	June.	July.	August.	September.
Admissions	\$5, 170. 75	\$33, 436. 20	\$44, 507. 01	\$67, 993. 48	\$108, 672. 55
Sales	30. 29	1, 438. 90	2, 496. 68	4, 273. 41	6, 333. 92
Restaurant	2, 374. 06	4, 116. 76	5, 097. 44	5, 780. 37	7, 685. 64
Rents	310. 33	290. 00	210. 00	601. 00	337. 50
Reimbursement	609. 98	890. 55	3, 361. 00	714. 11	5, 269. 26
Miscellaneous collections		8. 68			
Miscellaneous revenues, electric lights					
Sales, private exhibits					
Total	8, 495. 41	40, 181. 09	55, 672. 13	79, 362. 37	128, 308. 87

The total official disbursements from funds derived from all sources of the Philippine exhibit to December 1, 1904, amount to \$1,431,807.58. Crediting the receipts to December 1, 1904, amounting to \$525,367.80 and deducting \$189,423.18 furnished by the Louisiana Purchase Exposition Company, leaves a difference of \$717,016.60 as the net cost of the exhibit to the Philippine treasury to December 1, 1904.

SUMMARY.

Total disbursements from all funds to December 1, 1904.....	\$1,431,807.58
Less receipts to December 1, 1904	525,367.80
Net cost to December 1, 1904.....	906,439.78
Amount contributed by Louisiana Purchase Exposition.....	189,423.18
Net cost to Philippine treasury to December 1, 1904	717,016.60

Subsequent to the closing of the exposition there were some revenues accruing, principally from the sale of remaining exhibits which have yet to be accounted for, and disbursements were made for the final settlement of outstanding bills and claims. Within a short time all pending accounts will be liquidated and a final showing made of the affairs of the Philippine exhibit.

THE PHILIPPINE CIVIL SERVICE.

The harmonious cooperation of the United States Civil Service Commission with this Bureau, mentioned in the last annual report, has prevailed throughout the year. Although appointments continue to be made to many different classes of positions, there has been a material lessening in the number of vacancies open for those having only ordinary clerical ability.

CHARACTER OF APPOINTMENTS.

In November, 1904, the authorities at Manilla estimated that the number of resignations at the end of the school year would be such as to necessitate the appointment of some 200 teachers. The general superintendent of schools deemed it desirable to raise the standard of the appointees and accordingly this Bureau was instructed to take the necessary steps to have the examinations held and the papers of eligibles sent to Manilla from which 140 college graduates, including twenty polytechnic, and twenty agricultural, and sixty normal school graduates could be selected.

The examination papers were forwarded to Manila as soon as available, but the number of vacancies occurring was much smaller than had been anticipated, as a comparatively small percentage of the teachers who had served their contract period resigned.

A total of 69 teachers have been appointed and, with 11 reinstated, have sailed since November 1, 1904.

During the same period there have been appointed and sailed, either as the result of examination, by transfer, or reinstatement, a total of 134 persons, including teachers, of which number 7 were civil engineers, 13 stenographers and typewriters, and 4 employees of the bureau of printing, 4 bookkeepers, 4 veterinarians, and 5 forestry employees.

In addition to the foregoing, appointments not subject to the requirements of the civil-service rules have been made during the report year to the following positions, but, as in previous years, strictly in line with the principles of the merit system: One telegraph operator, 11 third lieutenants, Philippines constabulary, and 1 consulting architect.

TRANSPORTATION OF CIVIL EMPLOYEES AND MEMBERS OF FAMILIES.

This Bureau has during the past year continued to arrange for the transportation of not only appointees to the Philippine service, but also of insular employees who after a leave of absence in the United States are entitled to the benefit of the special rate for their return journey, and of the members of the immediate families of such employees and appointees.

The capacity of the limited number of army transports now in service has continued to be heavily taxed during the year by the requirements of the military establishment. Transportation arrangements were again made with the Southern Pacific and Union Pacific railroads and the allied steamship lines operating from San Francisco, and with the northern railway lines and the Boston Steamship Company and the Great Northern Steamship Company from Seattle. This arrangement is substantially a renewal of that described in my last annual report.

Under the regulations governing the matter in the Philippines, when an employee obtains leave of absence with permission to visit the United States he may apply for the privilege of purchasing his return transportation at the reduced rate, but in order to secure the advantages of such rate it is necessary for him to deposit the required amount with this Bureau, or under certain conditions as to the length of service this amount may be advanced to him and deducted from his salary after his return to duty. Such applications are forwarded to this office by the executive bureau at Manila, whereupon the persons entitled to the benefit of the special rate are communicated with and the transportation orders issued.

The following number of persons sailed since October 31, 1904, on transportation orders issued by this Bureau:

Appointees (original, by transfer and reinstatement).....	149
Members of families.....	138
Insular employees returning to duty after a leave of absence in the United States.	192
Unclassified (including the members of the party accompanying the Secretary of War to the islands)	99

A total of 578 persons were thus given the benefit of the special arrangement, and the amount saved by the government of the Philippine Islands since the introduction of the present method has been sufficient to be worthy of note.

FILIPINO STUDENTS IN THE UNITED STATES.

There are now 178 Filipino students being educated in the United States at the expense of the Philippine government, 100 having been appointed for the fiscal year 1903, 40 for the year 1904, and 38 for the year 1905.

The health and physical condition of the Filipino students has been good and no serious case of illness—except in one instance, resulting in death—has been reported.

The 1905 students, 35 boys and 3 girls, arrived in San Francisco on the steamship *Manchuria* on September 14, 1905, and after being provided with suitable clothing were immediately distributed to the several institutions selected.

Students supported by the Philippine government are now distributed as follows:

Washington, D. C.:		Lansing, Mich.:	
Georgetown University	5	State Agricultural College	6
George Washington University ..	4	Indianapolis, Ind.:	
Coast and Geodetic Survey	2	Manual Training High School ..	6
Philadelphia, Pa.:		Lafayette, Ind.:	
University of Pennsylvania	2	Purdue University	8
Women's Medical College	1	Bloomington, Ind.:	
Drexel Institute	4	Indiana University	6
Photo-engraving department, Philadelphia Press	1	Notre Dame, Ind.:	
Pa. Museum School of Art and Design	1	Notre Dame University	13
Villa Nova, Pa.:		St. Mary's Academy	2
Villa Nova College	1	Chicago, Ill.:	
West Chester, Pa.:		Chicago University	8
State Normal School	5	Armour Institute	2
Trenton, N. J.:		Lewis Institute	2
State Normal School	6	Madison, Wis.:	
Poughkeepsie, N. Y.:		University of Wisconsin	6
Eastman Business College	2	St. Paul, Minn.:	
Brooklyn, N. Y.:		St. Catherine's Academy	2
Brooklyn Polytechnic Institute ..	2	Lincoln, Nebr.:	
Boston, Mass.:		University of Nebraska	6
Massachusetts Institute of Tech- nology	2	Iowa City, Iowa:	
Worcester, Mass.:		University of Iowa	6
Holy Cross College	1	Ames, Iowa:	
Lowell, Mass.:		State Agricultural College	8
Lowell Textile School	1	Dekalb, Ill.:	
Oswego, N. Y.:		State Normal School	6
State Normal School	6	Dixon, Ill.:	
Ithaca, N. Y.:		Dixon Business College	3
Cornell University	5	Urbana, Ill.:	
Oberlin, Ohio:		University of Illinois	8
Oberlin Conservatory of Music ..	1	Normal, Ill.:	
Cincinnati, Ohio:		State Normal University	6
Cincinnati University	6	Macomb, Ill.:	
Ann Arbor, Mich.:		State Normal School	6
University of Michigan	1	Manhattan, Kans.:	
St. Louis, Mo.:		State Agricultural College	6
St. Louis University	1	Boulder, Colo.:	
		University of Colorado	1
		Riverside, Cal.:	
		City High School	1

They are taking the following courses: Music, textiles, painting, photo-engraving, architecture, and lithography, 1 student in each; Coast and Geodetic Survey, 2; domestic science, 7; medicine, 16; law, 18; business, 8; letters, 6; agriculture, 27; normal, 36; engineering, 52.

It is a pleasure to record that the Manila Jockey Club has provided, after a competitive examination, for the education of two Filipino students selected in this country. These, as well as a number of other Filipino students at the expense of their parents, and others at the expense of philanthropic Americans, are under the supervision of Mr. Wm. Alex Sutherland, the superintendent of the Government students, who exercises over them the same care he gives to those supported by the Government.

The progress of the Filipino students has been uniformly creditable and in certain instances remarkable. The spirit of seriousness and of intelligent and persistent effort which pervades this student body promises success for this undertaking.

Payment of all expenses connected with maintenance and education of these students is made through this Bureau on vouchers duly certified by the superintendent, and when it is remembered that board, room rent, clothing, books, stationery, and miscellaneous expenses for each student are necessarily paid on separate vouchers the work involved is apparent. The cost of educating these students during the period from November 1, 1904, to October 31, 1905, is shown under the head of disbursements.

GAZETTEER.

Thorough and painstaking work has been done during the past year on the new or revised edition of the Gazetteer. Many changes in provincial and municipal boundaries have been made since the original edition was published. The new work will contain accurate and detailed information as to these changes, and inaccuracies in the original edition due to lack of information at the time of its preparation will be corrected. In addition, new features contributing to its value for official purposes and public utility will be introduced.

PUBLICATIONS.

LIBRARY OF INSULAR DOCUMENTS.

The compilation of public documents relative to Cuba and Porto Rico, the Philippines, and other insular possessions, mentioned in the last annual report, has been continued throughout the year.

The library now numbers 305 volumes, made up entirely of Congressional documents and publications issued by the various Executive Departments of this Government and those of the several insular governments. The usefulness and, one might say, the necessity of a compilation of this character is being more fully demonstrated daily, and it is thought that the future will be fruitful of testimony as to the wisdom of its undertaking.

A comprehensive index of the first 215 volumes was prepared in the Bureau, and upon the recommendation of the Secretary of War a concurrent resolution for the printing and binding of 500 copies of the same was passed by the Senate on March 17, 1904, but failed to be acted upon by the House. A supplementary index covering the additional volumes up to the latest possible date is in course of preparation, and it is urgently recommended that 500 copies of both the original and supplementary index be printed and bound as early as possible. An index of this kind if printed and properly distributed will be of value not only to those possessing this library, but to all interested in insular affairs, as it contains not only the titles of the documents but information as to their sources, numbers, and designations, and in this way will afford a ready reference to data otherwise almost impossible to locate. In addition it should be mentioned that the Manila daily newspapers received by the Bureau are from time to time assembled and bound in semiannual volumes available for reference.

REPORTS OF THE PHILIPPINE COMMISSION.

The fifth annual report of the Philippine Commission, containing over 2,500 pages, in three volumes, was issued during the current year, the work incident to its publication, proof-reading, indexing, and distribution having been performed by the Bureau. In addition the acts of the Philippine Commission, numbered from 950 to 1251 and enacted from October 21, 1903, to October 20, 1904, were prepared for printing, indexed, and distributed, the public resolutions and extracts from minutes of proceedings of the Philippine Commission from September, 1900, to August 1904, together with the executive appointments made during that period appearing therein.

The distribution of 2,000 excerpts from the last report of the Commission has also been made during the past year.

COMPILATION OF ACTS, TREATIES, AND PROCLAMATIONS.

The compilation of acts of Congress, treaties, and proclamations relating to insular and military affairs from March 4, 1897, to March 3, 1903, referred to in my last report, having proved its usefulness, an appendix, including, in addition, similar information as to Panama, covering the period to March 4, 1905, the close of the Fifty-eighth Congress, has been undertaken.

LAWS RELATING TO PUBLIC LANDS IN PHILIPPINE ISLANDS.

The many inquiries concerning public lands in the islands suggested the preparation of a pamphlet embodying the laws and regulations on the subject, and there was prepared in the Bureau and issued during the year a publication bearing the above title. The area of the public domain in the islands, that of individual islands, and the percentage of agricultural lands is first treated of. This is followed by the acts of Congress and those of the Philippine Commission governing the homesteading, selling, and leasing of the public domain, as well as the laws of those bodies concerning mining claims.

There is also included the acts of the Commission governing the use of the public forests and forest reserves, and regulations concerning the same, as well as much information as to the tree species of the islands. There also appears the act of the Commission concerning the acquiring of title to public coal lands. As it contains all the laws, forms, and regulations bearing on these subjects, it will prove an invaluable compendium to those contemplating settlement in the islands, as well as to capital devoted to land, timber, and mining enterprises.

DOCUMENTS.

During the last year there have been distributed by the Bureau 47,325 documents, consisting of publications issued mainly by the several departments of the Philippine government and of various reports and documents having their origin in this country. In addition, 2,000 copies of The Summary of Commerce of the Philippine Islands are issued monthly and mailed to the business interests and to others as requested. The distribution of the volumes of the recent

Philippine census has in part been handled by the Bureau. A file of requests for documents is kept, and in each case the acknowledgment of the receipt of the document is attached to the request.

CAPTURED INSURGENT RECORDS.

The compilation of the Philippine insurgent records mentioned in the last report of the Bureau has been continued throughout the past year. Volume I, containing a description of the genesis and growth of the revolutionary sentiment and the revolution against Spain down to Aguinaldo's return, May 19, 1898, is, with its exhibits, now ready for the printer. The greater part of Volume II, containing a synopsis of the succeeding events in the Philippines to July, 1902, the date of the formal declaration of the close of the insurrection, and the date at which the compilation ends, has been written, but is still in a preliminary state and must be submitted to further revision and elaboration. All translations of the documents which will appear as appendices to this volume have been completed, but must be further examined for the purpose of eliminating extraneous matter. An index arranged by dates has been made of all documents translated, which will be of material aid in preparing the index of the whole work.

The recommendation made in the last annual report for the publication of this compilation and the explanatory narrative is renewed.

THE NEW CABLE CODE.

In a previous report of this Bureau mention was made of the necessity for the consolidation of the cable codes in use, with the addition of a large number of new phrases.

This work has been pushed forward as rapidly as possible with the available force, every moment which could be spared from current work being utilized in the preparation of the consolidated code, and has involved no expense for additional clerk hire.

The saving by the use of the new code will in a very short time warrant the labor expended. The first section, in tabulated form, contains upward of one-half the code expressions heretofore available in any one code, with the added advantage that they were selected directly for the work in hand.

Owing to the surtax on the transmission of figure groups between the cable offices and Washington, code words are being used. These words have been carefully selected, and it is believed those used will prove even less susceptible to error in transmission than the figure groups.

The various codes now in use have in all ten different alphabetical arrangements, while the new code will have but one, though containing many more phrases. Credit for this work is due Mr. N. A. Woodson, chief of the correspondence division, who has been indefatigable in its accomplishment.

CORRESPONDENCE AND RECORDS.

The correspondence and record work has been large in volume, while the progress of development of the insular government has added somewhat to its complexity.

During the period covered by this report 1,414 telegrams have been sent, 613 cablegrams have been coded and dispatched, while 755 cablegrams have been received and translated, although, as formerly, this means of communication has only been used when absolutely necessary.

So far as the character of the work has permitted much time and labor has been saved by the use of mimeograph form letters. It is estimated that not less than 30,000 letters and approximately 3,000 indorsements have been written, to which should be added between 5,000 and 10,000 form letters, embracing some thirty different forms. Although the number of routine communications received during the year has shown quite a decrease, it is estimated that at least 35,000 to 40,000 letters have reached the Bureau.

All correspondence, reports, circulars, orders, and acts of the Philippine government are recorded under the card-index system, one card being allotted to each subject. At this time there are in current use over 15,200 record and 62,000 consolidated index cards.

The correspondence of the War Department pertaining to the Isthmian Canal Commission, as well as much work in connection with its publications, was handled in this Bureau from early in 1904 until April 21, 1905. On the last-mentioned date all such correspondence and record and index cards were turned over to the office of administration of the Isthmian Canal Commission.

VISIT OF THE CONGRESSIONAL PARTY TO THE PHILIPPINES.

Conditions in the Philippines justified and required a visit of inspection by the Secretary of War to those islands last summer. It seemed wise to invite as many members of Congress as possible to accompany him on this trip, in order that by personal observation and investigation the legislative needs of the islands might be brought home to those charged with the power and duty of legislation. So desirable was this, in the interest of the islands, that at the suggestion of the Secretary of War the Philippine Commission agreed to pay the transportation expenses of such members of Congress as would visit the islands. Seventy Senators and Representatives were invited, of whom 7 Senators and 24 Representatives accepted.

The transportation companies holding the contract for the transportation of Philippine employees kindly consented to give the same rates to the official members and their families as provided for in the contract for Philippine employees.

The official party was finally made up of the following:

Congressional guests.—Senator Francis E. Warren, Senator Nathan B. Scott, Senator Fred T. Dubois, Senator Murphy J. Foster, Senator Thomas M. Patterson, Senator Francis G. Newlands, Senator Chester I. Long, Representative Sereno E. Payne, Representative Charles H. Grosvenor, Representative William P. Hepburn, Representative George W. Smith, Representative David A. De Armond, Representative William A. Jones, Representative Henry A. Cooper, Representative Frederick H. Gillett, Representative Charles Curtis, Representative George Edmund Foss, Representative Ebenezer J. Hill, Representative Theobald Otjen, Representative William M. Howard, Representative Michael E. Driscoll, Representative Charles F. Scott, Representative Ariosto A. Wiley, Representative W. Bourke Cockran, Representative George A. Loud, Representative Nicholas Longworth, Representative Swagar Sherley, Representative Newton W. Gilbert, Representative Duncan E. McKinlay, Representative William B. McKinley, Representative Herbert Parsons.

The Southern Pacific Railroad, represented by its general eastern passenger agent, Mr. L. H. Nutting, did everything in its power to safely and comfortably transport members of the party from their homes to San Francisco and return. The Baltimore and Ohio Railroad effectively cooperated.

The connecting steamship line, the Pacific Mail, represented by its vice-president and general manager, Mr. R. P. Schwerin, changed the schedules of its steamers so as to provide the party with the new and commodious *Manchuria* going out and the *Korea* on the return trip, and gave entire satisfaction.

The Secretary of War and several of his party left Washington the afternoon of June 30 over the Baltimore and Ohio Railroad, arriving and meeting the rest of the party in San Francisco the evening of the 4th of July.

July 6.—Banquet in evening as guests of Manufacturers and Producers' Association of California, Chamber of Commerce of San Francisco, Merchants' Association, Merchants' Exchange, San Francisco Board of Trade, California Promotion Committee, California State Board of Trade, at the Palace Hotel.

July 7.—Trip around San Francisco Bay under direction of Major Devol, general superintendent of Army Transport Service; inspection of the harbor defenses of San Francisco and military posts at the Presidio by the Secretary of War and official members of the party only.

At 1 o'clock, the 8th of July, the party sailed from San Francisco on the Pacific Mail steamship *Manchuria*. The following was the itinerary:

July 14.—Arrived Honolulu 7 a. m.; sailed 5 p. m.

July 25.—Arrived Yokohama, Japan; by special train to Tokyo.

July 25-28.—In Tokyo.

July 28.—By special train to Kyoto.

July 30.—By special train to Kobe.

July 30.—Sailed from Kobe on *Manchuria*.

August 1.—Arrived Nagasaki; sailed 6 p. m.

August 5.—Arrived Manila, P. I.

August 13.—Sailed from Manila on transport *Logan*.

August 14.—Arrived at Iloilo 4 p. m.

August 15.—In Iloilo.

August 16.—Trip to Bacolod.

August 16.—Sailed from Iloilo.

August 17.—Arrived at Zamboanga.

August 18.—Sailed from Zamboanga at daylight.

August 18.—Arrived at Jolo 3 p. m.

August 19.—Sailed from Jolo.

August 20.—Arrived at Malabang.

August 20.—Arrived at Zamboanga 8 p. m.

August 21.—Arrived at Camp Overton.

August 22.—Arrived at Cebu.

August 23.—Left Cebu 5 a. m.

August 23.—Off San Juanico Straits 6 p. m.

August 24.—Arrived at Tacloban by coast guard boats.

August 25.—Arrived at Legaspi; by carriages to Albay.

August 26.—Arrived at Sorsogon.

August 27.—Sailed from Sorsogon at 6 a. m.

August 28.—Arrived at Manila.

August 31.—Sailed from Manila on *Logan*.

September 3.—Arrived at Hongkong.

September 3.—Special trip to Canton.

September 4.—Returned to Hongkong from Canton.

September 6.—Sailed from Hongkong on Pacific mail steamship *Korea*

September 7.—Arrived at Amoy, China; left that night.

September 9.—Arrived at Wusung; by small boats to Shanghai.

September 10.—Left Wusung at daylight.

September 11.—Arrived at Nagasaki at noon.

September 12.—Left Nagasaki at 11 a. m.

September 13.—Arrived at Kobe 12 m.

September 15.—Left Kobe at daylight.

September 16.—Arrived Yokohama.

September 17.—Sailed from Yokohama 3 p. m.

September 27.—Arrived San Francisco.

September 28.—Left San Francisco 6.30 p. m.

October 2.—Arrived Washington, D. C., 3.27 p. m.

At Honolulu the party went by special train, via the Oahu Railroad, to the Ewa sugar plantation.

Among the members of the party were some apprehensive of the effect of the proposition to reduce the duties on Philippine sugar and tobacco, as well as those in favor of the same.

The comparatively short stop at Honolulu was taken advantage of to send a cablegram to the governor-general of the Philippines, stating that it was the desire of the accompanying Senators and Congressmen to hold exhaustive public hearings at Manila and such other places as might be visited for the purpose of becoming thoroughly informed of affairs in the Philippines, and especially with relation to agricultural and commercial conditions relative to the production of sugar and tobacco and the coastwise trade.

As the record of events in Japan and China were mere incidents of the trip, and the visit to those points taken advantage of only during the regular stops of the commercial steamers, no mention of the same will be made herein, but a detailed account of the trip as a whole will be included in a special report to the Secretary of War.

IN MANILA.

At 10 o'clock on the morning of August 5 the steamer anchored inside the new breakwater in Manila Harbor, where the party was met by government launches and small craft having on board the governor-general, his cabinet, the commanding general, Division of the Philippines, the admiral of the Asiatic Station, and their staffs, and by other government and municipal officials, and conducted up the Pasig River to the landing at the office of the captain of the port. Here the members of the party were assigned to carriages and conducted to the ayuntamiento, where an address of welcome was made by the mayor of the city and responded to by the Secretary of War.

PUBLIC HEARINGS.

During the week's stay in Manila the mornings and afternoons commencing on Monday, the 7th day of August, were devoted to public hearings in the ayuntamiento, the government building, upon the question of Philippine sugar and tobacco, the trade between the United States and the Philippine Islands and between various parts of the Philippine Islands proper, and upon the general economic conditions in the islands. The delegation sat as a legislative committee, being presided over by Senator Scott, of West Virginia, and was attended by Senators, Representatives, and the public. Everybody was invited to be heard on the subject and any member of the party invited to cross-examine, and in addition several executive hearings were held and everybody who so desired was invited to address the delegation.

Incidentally the following programme was carried out:

August 7.—Parade, which included civic and industrial features, showing the work accomplished in the schools, the evolution since American occupancy, and the military, the police, and municipal features.

Reception at 9 p. m. by the governor-general at Malacanan Palace.

August 8.—Excursion by electric cars on the new electric tramway through the city of Manila.

Dinner at 8 p. m. by chambers of commerce in the Grand Opera House, at which addresses were made.

August 9.—Reception 5 to 7 p. m. by the Tobacalera, one of the tobacco industries.

Reception in the evening by the Army and Navy Club.

August 10.—Visit and address by the Secretary of War to the normal school.

The Liceo de Manila bestowed the title of honorary president of the association upon William H. Taft.

Reception 5 to 7 p. m. at the Manila (English) Club.

Banquet at 8 p. m. by His Grace Archbishop Harty.

Fireworks 9 to 11 p. m. on the luneta.

August 11.—Reception 5 to 7 p. m. at the University Club.

Filipino banquet at 8 p. m. at the Hotel Metropole.

This banquet was opened by an address of welcome by the native Commissioner, Hon. T. H. Pardo de Tavera. He was followed by Filipino officials.

This was probably the most important occasion of the whole visit from the Filipino standpoint, as the Secretary in his speech made clear the views of the Administration upon the present and future of the islands.

August 12.—Excursion to the rice-producing province of Bulacan and the sugar-producing province of Pampanga.

Public banquet with addresses at San Fernando. Stop was also made at Malolos.

Ball given by the city of Manila in the ayuntamiento in honor of Miss Roosevelt.

In addition to the above official programme there were many entertainments by native Filipinos, which gave an opportunity to the party to become acquainted with the people. Many members of the delegation gave much time to detail investigation of commercial and economic questions during their stay in Manila in addition to the opportunities offered by the executive hearings above mentioned.

On the 13th of August the entire party embarked on the transport *Logan*, which had been assigned for that purpose by the War Department, for a trip through the southern islands. The following accompanied the party from Manila:

The Governor-General.

Hon. Dean C. Worcester, member of the Philippine Commission.

Hon. James F. Smith, member of the Philippine Commission.

Hon. W. Cameron Forbes, member of the Philippine Commission.

Hon. T. H. Pardo Tavera, member of the Philippine Commission.

Hon. Benito Legarda, member of the Philippine Commission.

Mr. A. W. Fergusson, executive secretary of the Philippine Islands.

Mr. C. C. Calvin, recorder of the Commission.

Gen. H. C. Corbin, commanding Philippine Division.

Lieut. Col. J. D. G. Knight, chief of staff.

Representatives of the press.

The Philippine Commissioners were accompanied by a full complement of translators and stenographers, and every facility was offered to the Congressional members to study conditions by interrogations and conversations with members of the Philippine Commission and other officials, native and American, to make record of the same, as well as to record all hearings which were held at the various stops.

The first stop was at Iloilo, on the Island of Panay. The following was the programme:

August 15.—Parade: hearings on sugar and tobacco.

Banquet by the citizens of Iloilo, at which addresses were made by the local officials, the Secretary of War and members of the Congressional delegation, the controlling thought of the latter, as well as in all subsequent speeches by the delegation, was an effort to impress upon the Filipino people the necessity and the dignity of labor.

August 16.—Trip to Bacolod, on the sugar-producing Island of Negros, where hearings were held on sugar.

Trip to Camp Jossman, on the adjoining island of Guimaras.

The next stop was at Zamboanga, Island of Mindanao, inhabited by the Mohammedan Moros. The following was the programme:

August 17.—Review of native troops.

Visit of datos and representatives of the various Moro tribes—interior, mountain, and Lake Lanao.

Reception at Zamboanga Club.

At Jolo, island of Jolo, the southernmost stop that the party made, the party was driven to a field just outside the walled city to witness the native sports, at which the Sultan of Sulu and several of the datos were present. They were also present that night, August 18, at a reception given by the Army and Navy Club.

Early in the morning of the 19th the *Logan* left Jolo, sailing northwest, by way of Zamboanga, and anchored off Malabang, almost directly south of Lake Lanao, island of Mindanao. This trip was specially taken to give the Senators and Representatives a chance to inspect the route of the proposed railway from Camp Keithley to the northern coast at Overton, a distance of about 25 miles, as it was the purpose of the War Department to ask for an appropriation in the military bill to build this road.

The Secretary of War and the majority of the Senators and Representatives took this trip across Mindanao. They were landed in small boats at Malabang, where cavalry horses and army wagons were supplied for transportation. An early start, with escort, was made and at 4 o'clock Camp Vicars was reached, about 22 miles from Malabang. From Vicars it was necessary to walk down the mountain about 3 miles, over a rough and muddy trail, to Lake Lanao, where two steam launches were awaiting to take the party on the two hours' run across the lake, which is over 12 miles long and 6 miles wide, to Camp Keithley, a regimental post on top of the divide and about 1 mile from the lake. The party spent the night at Keithley as guests of the officers there stationed.

The next morning an early start was made over a road built and with much difficulty maintained by the military. Much work has been and is being done by troops and the use of prisoners, but during the rainy season it is next to impossible, certainly impracticable, for heavy wagons. After a rough ride, which left no doubt, it is believed, in the minds of anyone who made the trip of the wisdom of a railroad to supply Camp Keithley, the party arrived at Overton about 2 o'clock in the afternoon, pretty well worn out. The party was entertained by the officers of the Fourteenth Cavalry, there stationed.

The *Logan* with the members of the party who did not go over the trail in the meantime had steamed around the southeastern point of Mindanao, a distance of about 500 miles, and joined the overland members about an hour after their arrival at Overton.

From Overton the course was almost directly north to Cebu, island of Cebu. The following was the programme:

August 22.—Parade in the morning.

Banquet by citizens of Cebu and local officials to the delegation. Cebu had suffered from failure of crops, and of all the places visited more distress was here reported than at any other place. Addresses were made setting forth their condition.

At 6 p. m. the 23d of August the *Logan* anchored off San Juanico Strait, which separates the islands of Samar and Leyte. This strait probably furnishes as beautiful scenery as is found anywhere in the world. Early the next morning the party embarked on coast guard boats, as the *Logan* drew too much water to make the trip through the strait, and arrived at Tacloban, island of Leyte, about noon. The following was the programme:

August 24.—Address of welcome and response.

Parade, industrial and military.

Luncheon in the constabulary hall, with addresses by local officials and responses by members of the delegation.

The party returned through the strait in the afternoon, reaching the *Logan* after dark, when anchor was weighed, and on the 25th the *Logan* arrived at Legaspi, province of Albay, island of Luzon. Carriages were here in waiting to convey the party to Albay, the capital of the province of that name, and about 5 miles inland from Legaspi, every foot of the road between Legaspi and Albay being decorated with hemp, bamboo, and other native plants. The programme consisted of a dinner given by the citizens of Legaspi and Albay in the troop mess hall at Camp Daraga.

Albay is one of the great hemp-producing provinces. Crops had been good and prosperity was everywhere evidenced, being apparent in the speeches of welcome which contained no note of discontent but, on the contrary, were full of the opportunities offered to capital of large returns. In fact the provinces of Albay and Sorsogon, due to their hemp productions, are two of the richest in the islands.

At Albay the party visited a hemp plantation, witnessed and had explained to them the method of cutting, stripping, and extracting the fiber. Some members of the delegation tried their hand at pulling the strips of the plant through the hemp knives and came to the conclusion that the great physical exertion required by even a dexterous operator was worth the 2 to 4 pesos per day paid for that service.

The anchorage off the port of Sorsogon was reached on the morning of the 26th. It was necessary to transfer to coast-guard and small boats to get to Sorsogon, some 12 miles inland from anchorage. Most of the party spent the entire day at this point. The following was the programme:

August 26.—Review of native troops and industrial floats.

Inspection of industrial exhibits, which had been specially made for the occasion, in a large bamboo structure.

Luncheon by citizens of Sorsogon.

Laying of corner stone of high school building by the Secretary of War.

Formal opening of new cement bridge, named by citizens the Alice Roosevelt Bridge.

Banquet by the citizens of Sorsogon, with many toasts.

There was every evidence of wealth and prosperity at this point. The *Logan* was reached about 1 o'clock that night, and sailed at 6 a. m. the morning of the 27th, reaching Manila the morning of the 28th.

During the three days' stop in Manila most of the time was devoted by the delegation to public and executive hearings.

At Hongkong the party divided, part returning home on the *Korea* and the remainder by way of Peking and Korea.

The objects of the trip it is believed have been more than realized. Interest has been aroused and the truth is known to those who will have to solve the Philippine questions. This trip was fortunate to the mutual interests of the American and Filipino peoples.

The total expense to the Philippine Treasury for the travel of the official party was less than \$10,000. All the details of this entire trip devolved upon the Insular Bureau.

LAW OFFICER.

The work of the law officer of the Bureau has been extended during the period since the last annual report. Besides the ordinary routine work of the Bureau, which requires very frequent reference of questions for his opinion, there have been presented for his consideration questions concerning the administration of the customs in the Philippine Islands; its trade-mark law; the status of patents issued under the Spanish administration; the invitations for proposals for the construction of railways in the Philippines; the funds of the American Bank of Manila in the United States on the failure of the bank; certain funds seized, money confiscated, and fines imposed under the military occupation of the Philippines, and the consideration and preparation for trial of the numerous cases for refund of duties exacted by the military authorities in the Philippines, which are now pending in the Court of Claims, as set out in detail in the last report.

Of these, a test case, that of *Lincoln et al. and Warner, Barnes & Co. v. The United States*, brought in the Court of Claims, resulted in a judgment for the Government. The claimants appealed to the Supreme Court of the United States from the decision of the Court of Claims in favor of the Government.

In the Supreme Court the judgment of the Court of Claims was reversed and the Court of Claims was directed to enter judgment for the claimants for the full amounts of their claims, which aggregated \$81,840.07. The syllabus of said decision, stating the grounds therefor, is as follows:

The order of the President of July 12, 1898, directing the levying of duties on goods landed in the Philippine Islands, was a regulation for and during the then existing war with Spain, referred to as definitely as if it had been named, and was not a power for any other military occasion. The right to levy duties thereunder on goods brought from the United States ceased on the termination of the war by the exchange of ratifications of the treaty of peace with Spain on April 11, 1899. (*Dooley v. United States*, 182 U. S., 222.)

After the title to the Philippine Islands passed to the United States by the exchange of ratifications of the treaty of peace, there was nothing in the Philippine insurrection of sufficient gravity to give to the islands the character of foreign countries within the meaning of a tariff act. (*Fourteen Diamond Rings*, 183 U. S., 176.)

Under the act of Congress of July 1, 1902 (32 Stat. L., 691), ratifying the action of the President and the authorities of the government of the Philippine Islands, the ratification is confined to those acts which were in accordance with the provisions of the order of July 12, 1898, and not to the collection of duties after April 11, 1899, which were within such provisions.

As soon as the above decision was rendered a petition and briefs for rehearing were prepared and presented by the Department of Justice

on behalf of the Government. This petition was granted and the matter set for hearing on January 2, 1906, solely on the question whether Congress had power to ratify and legalize the collection of the illegally imposed duties and intended so to do.

On May 1, 1905, there were pending in the Court of Claims cases involving the sum of \$3,485,328.74, on the same account, exclusive of the recovery above; and the number and amount of claims like the above pending in other Federal courts is at present unknown. If the Supreme Court answers the propounded questions in the negative, and so gives judgment for the claimants, it will impose upon the Treasury of the United States a burden of \$4,000,000, in round figures, for money expended in the government of the Philippine Islands and collected from merchants who immediately recouped themselves by sale of the merchandise imported at prices including the duties imposed.

On July 1, 1904, Charles E. Magoon, the law officer of this Bureau, was appointed general counsel for the Isthmian Canal Commission and continued in his service to this Bureau until the appointment of Paul Charlton as his successor, on May 4, 1905.

On April 1, 1905, Mr. Magoon was appointed governor of the Canal Zone, Isthmus of Panama. He took the oath of office on April 3, 1905, and sailed from New York to Panama on May 17, 1905, assuming his duties on his arrival.

Since his appointment the present law officer, in addition to his service to this Bureau, has given frequent service in matters concerning the Isthmian Canal; has drafted or supervised many important matters of contract, and has given counsel in many cases when the necessity for prompt action prevented their reference to the general counsel for the canal or for the Panama Railroad.

There is at present being prepared under his direction a translation and abstract of the documents evidencing the title to lands conveyed to this Government, comprising the Isthmian Canal Zone. There is a large number of documents which have not hitherto been so abstracted and coordinated as to show with exactness what lands within the Canal Zone are the property, respectively, of the Government, of the railroad company, and of individuals. As soon as the translations and abstracts are completed the perfection of the titles conveyed will be taken up on the Isthmus of Panama in cases where it is necessary.

ORGANIZATION AND PERSONNEL.

The work of the Bureau, other than that of the law officer, continues to be performed under the following divisions:

- Correspondence.
- Records.
- Purchasing and disbursing.
- Compilation and Cuban records.
- Statistics.
- Accounting.
- Captured Philippine insurgent records.

On April 19, 1905, Capt. Frank McIntyre, General Staff, was detailed to this Bureau as assistant chief. In order to accept this detail he was relieved from the General Staff.

The Chief of the Bureau was absent from Washington with the Secretary of War in the Philippines during the period from June 30 to

October 2, and again with the Secretary in Panama from October 27 to November 15. During these periods Captain McIntyre acted as Chief of the Bureau. The duties of the office he performed efficiently and with marked ability.

The present force consists of the law officer, 61 clerks, and 11 messengers, laborers, and charwomen. Fifty-nine of these clerks are borne on the so-called regular roll, while two are paid from the unexpended balance of \$2,291.45 remaining on hand July 1, 1905, of the \$30,000 appropriated July 1, 1902, for the purpose of compiling a statement of the receipts and expenditures in Cuba and the Philippine Islands. Without this appropriation it would not have been possible to perform the work demanded by Congress, and it will be entirely expended by the time the next appropriation is made available. In the estimates submitted for the fiscal year 1907 appropriation has been requested so as to continue on the regular roll the two clerks, one at \$1,800 and one at \$1,000, employed from the expiring special appropriation.

In the past year extraordinary and unanticipated demands have been made upon this organization and personnel. Before the reorganization of the last Panama Canal Commission all records and papers pertaining to the office of the Secretary of War relating to the subject of the canal were transferred to the Insular Bureau, and by overtime work and on separate cards were recorded and indexed.

After the appointment of the new Canal Commission, and upon request of its chairman to aid him in the organization of the "Office of Administration of Isthmian Canal Affairs" in Washington, the Chief of the Bureau of Insular Affairs, in addition to his other duties, was, on April 3, 1905, made chief of that office. Recently, the organization of the office having been completed and the work in arrears having been brought up to date, the Secretary of War stated that he needed the entire services of the Chief of this Bureau in the increased work and important demands devolving upon it in the coming winter.

With his approval, therefore, the Chief of this Bureau resigned as chief of the office of administration of Isthmian Canal affairs, which resignation was accepted by the Isthmian Canal Commission to take effect November 15, 1905.

The Insular Bureau lost by draft or transfer to the Panama office its law officer, who became a member of the new Commission and governor of the Canal Zone, in charge of the department of sanitation and government; the assistant to the Chief of the Bureau of Insular Affairs became the assistant chief of the office of administration; the disbursing agent, Philippine revenues, became the disbursing officer of the Canal office, and the chief of the accounting division of this Bureau became the deputy general auditor. The chief of the record division of the Canal office was also among those drafted.

There were in addition 3 others of its best clerks taken, the Bureau in all losing 9 of its most experienced employees. In addition to those transferred several employees were loaned or detailed, including the chief clerk of the Insular Bureau.

Four additional employees of the Insular Bureau were granted leave of absence without pay as assistants to Colonel Colton, who, upon the suggestion of the President of the United States, was selected by the President of Santo Domingo and appointed by the latter, as collector and general receiver of customs under the modus vivendi proposed

and adopted by the President of Santo Domingo pending the consideration of the treaty between the two Governments submitted to the Senate of the United States and the Congress of Santo Domingo for confirmation.

At the request of the Secretary of State one of the clerks was loaned and accompanied, as his secretary and disbursing officer, the special commissioner of the United States to Venezuela. He has been absent four months.

These clerks so drafted and transferred have been found generally and specially proficient in the work assigned them, much of it in an original field demanding a deal of ability and good training. For instance, special mention may be made of the services performed by one of the clerks in the Insular Bureau detailed in the Santo Domingo work, where the duties assigned him were to go to Monte Cristi, organize the customs service, make a trip along the unknown Haitian frontier, learn the country, establish a customs guard, and enforce the service along this wild frontier. The route was unknown, the country infested with bandits, and food and water were uncertain.

With one attendant he made this trip, riding some 200 miles. On the journey was subjected to much hardship, was knocked out in health, but he did what he was directed to do effectively, established the customs guard, showed rare tact in dealing with the local officials, and gained the confidence of his superiors, both American and Dominican officials. His health required him to return to the United States and another employee of the Bureau was sent in his place, who, it is understood, is doing equally well. The former was getting in the Bureau \$1,400, and since his return has been promoted to \$1,600. It is reported that the other men so assigned have rendered satisfactory service in their various fields of work.

The highest salary of any clerk in the Bureau of Insular Affairs is \$2,000, which is received by only one man, the chief clerk. The next highest salaries are \$1,800, received by the chiefs of its various divisions. The total cost of this force is under \$85,000 per annum, and with the kind and amount of work performed it is believed there is no more effective and economical personnel in the Government service.

In the last three or four years some 70 employees from the small force under this Bureau have left it to better their condition, generally by transfer to higher salaried positions in other departments of the Government. It has been shown that the Bureau lost by transfer or detail during the last year for other Government work 20 of its best clerks. During all this time the current work, increasing in importance, has been efficiently performed. Pardonable pride, therefore, may be taken in the belief that the organization upon which it is founded is good, and that it has stood the test of unusual demands.

Respectfully submitted.

CLARENCE R. EDWARDS,
Colonel, U. S. Army, Chief of Bureau.

THE SECRETARY OF WAR.

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